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on 01 February, 2020

Minutes of the Evidence

recorded by the

Indian Fiscal Commission.

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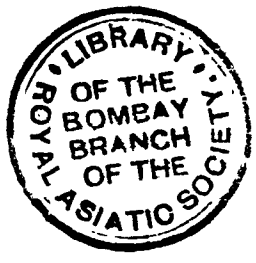

Vol. I.

CALCUTTA
SUPERINTENDENT GOVERNMENT PRINTING, INDIA
1923

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VOLUME I.

List of witnesses and written Statements.

Witness No.	Name.	Designation, etc.	Date.	Oral evidence.		Written Statements.	
				Page.	Paras.	Page.	Paras.
	KARACHI.						
1	Moore, Mr. S. . . .	Of Messrs. E. D. Sasoon & Co., Ltd.	28th Nov. 21	5	6—161	5	1—5
2	Price, Mr. E. L. . . .	Of Messrs. W. Cooper & Co. .	28th Nov. 21	17	196—495	10	162—195
3	Showkatrai Verhomal, Mr. and Issardass Verandmal, Mr.	Representatives of the Import Grain Merchants' Association.	29th Nov. 21	31	525—579	30	496—524
4	Keeling, Mr. R. F. . .	Managers, Sind Flour Mill Co., Ltd.	29th Nov. 21	34	582—651	33	580—581
5	Kopeland, Mr. C. H. . .	Of Messrs. Louis Dreyfus & Co.	29th Nov. 21	36	661—742	36	652—660
6	Shahani, Prof. S. C. . .	Principal, D. J. Sind College .	29th and 30th Nov. 21.	41	790—1107	38	743—789
7	Jones, Mr. B. F. . . .	Member, Karachi Chamber of Commerce.	30th Nov. 21	56	1122—1324	56	1108—1121
8	Jhamatmal, Mr. Gopaldas .	Pleader, Hyderabad, Sind .	30th Nov. 21	63	1357—1424	63	1325—1356
9	Hassanally, Mr. Wali Mahomed.	M. L. A.	30th Nov. 21	67	1456—1531	66	1425—1455
10	Dharamdas, Mr. Sukhram .	Representative of the S. N. Indian Piecegoods Merchants' Association.	30th Nov. 21	70	1569—1637	70	1532—1568
11	Clayton, Mr. F. . . .	Chairman, Karachi Chamber of Commerce.	1st Dec. 21	74	1682—1913	73	1638—1681
12	Mehta, Mr. Jamshed, N. R.	.....	1st Dec. 21	84	1953—2016	83	1914—1952
13	Khoja Mukhi Hoodbhoy Shaloo Kharadar, Mr.	.....	1st Dec. 21	86	2018—2050	86	2017
14	Bundally Kassim, Mr. Gandi, Mr. J. R. Alidina Ali Mohamed, Khan Sahib.	Of the (Indian) Karachi Hides and Skin Merchants' Association.	1st Dec. 21	87	2059—2128	87	2051—2058
	LAHORE.						
15	Townsend, Mr. C. A. H. .	Director of Agriculture, Punjab.	5th Dec. 21	92	2132—2384	89	2129—2131
16	Scott, Mr. E. A. . . .	Director of Industries, Punjab	5th Dec. 21	100	2406—2557	100	2385—2405
17	Calvert, Mr. H. . . .	Registrar, Co-operative Societies, Punjab.	6th Dec. 21	110	2591—2953	105	2558—2590
18	Ghulam Rasul Khan, Mr. .	Bar-at-Law and Safaidposh of Lyallpur.	6th Dec. 21	122	2960—3027	121	2954—2959
19	Pant, Mr. D. . . .	Lecturer, Government Institute of Commerce, Lahore.	6th Dec. 21	126	3063—3162	125	3028—3062
20	Harkishan Lall, The Hon'ble Lala.	Minister of Agriculture, Punjab.	7th Dec. 21	131	3201—3462	129	3163—3200
21	Shinquin, Mr. Clifton A. .	Superintendent of Tanneries, Department of Industries, Punjab.	7th Dec. 21	142	3487—3564	141	3463—3486
22	Ganga Ram Rai Bahadur .	Lahore	7th Dec. 21	145	3593—3698	144	3565—3592
23	Brij Narain, Mr. . . .	Professor of Economics, Sanatan Dharm College, Lahore.	8th Dec. 21	158	3725—3926	148	3699—3724(*a*)
24	Roberts, Mr. Owen . .	Lawrence Road, Lahore .	8th Dec. 21	166	3928—4018	165	3927
25	Dalip Singh, Sardar Sahib .	Lyallpur	8th Dec. 21	169	4020—4034	169	4019
26	Kapoor, Mr. Madan Lal .	Managing Proprietor, The Indian Industries, Dharampur.	8th Dec. 21	173	4116—4180	170	4035—4115
27	Sampuran Singh, Mr. . .	Bar-at-Law, Lyallpur . .	8th Dec. 21	175	4185—4283	175	4181—4184

Witness No.	Name.	Designation, etc.	Date.	Oral evidence.		Written Statements.	
				Page.	Paras.	Page.	Paras.
	Delhi.						
28	Khanna, Mr. Hira Lal . .	Representative of the Delhi Piece goods Association.	12th Dec. 21	183	4315—4509	179	4284—4314
29	Gray, Mr. V. R. . . .	Chairman, Punjab Chamber of Commerce.	12th Dec. 21	191	4551—4714	190	4510—4550
30	Shri Ram, Mr. . . .	Secretary, Delhi Cloth and General Mills Co., Ltd.	13th Dec. 21	197	4763—4909	196	4715—4762
31	Shri Ram, Mr. Khosla, Mr. Amir Chand.	Of the Delhi Hindustani Mercantile Association.	13th Dec. 21	203	4969—5015	201	4910—4968
32	Shamlal, Mr. M. . . .	Managing Director, Bharat Beopar Company, Ajmer.	13th Dec. 21	206	5081—5173	204	5016—5080
33	Sarda, Rai Sahib M. Ram Bilas.	Municipal Commissioner, Ajmer.	13th Dec. 21	209	5216—5242	208	5174—5215
	Cawnpore.						
34	Chapra, Mr. . . .	Assistant Secretary, United Provinces, Chamber of Commerce, Cawnpore.	16th Dec. 21	213	5269—5436	210	5243—5268
35	Watson, Mr. E. R. . .	Principal, Research Institute, U. P.	16th Dec. 21	221	5471—5585	220	5437—5470
36	Habibullah, Mr. S. M .	Collector, Saharanpur, U. P.	16th Dec. 21	226	5587—5650	226	5586
37	Jones, Mr. Gavin, Taylor, Mr., Ryan, Mr.	Upper India Chamber of Commerce.	17th Dec. 21	229	5687—5802(*c*)	228	5651—5686
38	Taylor, Mr. . . .	Cawnpore	17th Dec. 21	235	5803—5855	...	...
39	Jones, Mr. T. Gavin . .	Cawnpore	17th Dec. 21	237	5874—5959	237	5856—5873
40	Sinha, the Hon'ble Lala Sukhbir.	Muzaffarnagar . . .	17th Dec. 21	241	5994—6035	240	5962—5993
41	Crosthwaite, Mr. . .	Secretary to the Government of the United Provinces, Department of Industries.	17th Dec. 21	245	6077—6158	242	6036—6076
42	Varshanic, Mr. I. D. . .	Proprietor, U. P. Glassworks, Bahjoi.	17th Dec. 21	249	6175—6305	248	6159—6174
43	Watson, Sir Logie . .	.....	16th Dec. 21	253	6306—6405	...	...
44	Lilly, Mr.	...	19th Dec. 21	255	6406—6476	...	...
45	Mehta, Mr. V. N. . .	Director of Industries, United Provinces.	19th Dec 21	260	6480—6632	257	6477—6479
46	Shaw, Mr. Albert M. . .	Manager, U. P. Central (Oil) Mills, Cawnpore.	19th Dec. 21	266	6646—6771	266	6633—6645
47	Shakespear, Mr. . . .	Representative of the Indian Sugar Producers' Association, Cawnpore.	20th Dec. 21	270	6794—7020	270	6771(*a*)—6793
48	Raja, Mr. Jagmal . .	Manager, Allahabad Glassworks, Cawnpore.	20th Dec. 21	278	7021—7080	...	...
49	Jevons, Prof. H. Stanley .	University of Allahabad .	20th Dec. 21	286	7084—7254	280	7081—7083

List of questions for witnesses giving written evidence for the Indian Fiscal Commission.

EXPLANATORY NOTE.

The following questions have been framed with a view to indicating the main aspects of the enquiry to be undertaken by the Fiscal Commission, so far as the President and those Members of the Commission whom he has been able to consult can at present judge of them. Sections A. and B. are intended to cover the general problems which will arise for consideration in determining the future direction of fiscal policy and in deciding whether India should adopt a policy of Imperial Preference. The remaining sections contain questions designed to elicit not only the opinions but the definite experience of those engaged in the various branches of industry and commerce. In the case of answers to these questions the Commission will naturally attach special importance to conclusions resting on a solid foundation of facts and figures.

2. It is not intended that those who are engaged in industry and commerce should confine themselves to the special sections dealing with their particular business. On the contrary, there are many questions in Sections A. and B. which require for their adequate consideration an intimate acquaintance with business conditions, and it is hoped that those who have such special knowledge will give the Commission the benefit of their general views on the important and difficult problems that arise.

3. As explained above, the questions are designed to cover the whole field of the enquiry, so far as it can be outlined at this stage. It is not therefore expected that each witness should attempt to answer all the questions. If a witness wishes to give his views on any points relevant to the enquiry which have not been included in the questionnaire, it would be convenient that such points should be dealt with in a supplementary statement.

4. The Commission is inviting either directly or through Local Governments various associations and individuals to forward in writing their replies to the questionnaire. The Commission will also be glad to receive replies from any associations or individuals not so invited who may wish to represent their views. Copies of the questionnaire can be obtained from the Secretary, Indian Fiscal Commission, Simla, on application.

5. The Commission assembles in the first half of November and the early receipt of written replies to the questions would greatly facilitate its work. After perusal of the replies the Commission will select certain witnesses for oral examination. To give adequate time for this, it is requested that replies may be despatched so as to arrive at least three weeks before the date on which the witness is likely to be examined. The provisional programme of the tour of the Commission indicating the approximate dates on which oral evidence will be taken at each centre is as follows :—

Assemble	Bombay	early in November 1921.	No evidence will be taken at Bombay at this time.
Depart	Bombay	24th November.	
Arrive	Karachi	26th „	
Depart	„	2nd December.	
Arrive	Lahore	3rd „	
Depart	„	9th „	
Arrive	Delhi	10th „	} Delhi evidence will be taken at this time and not in March.
Depart	„	15th „	
Arrive	Cawnpore	16th „	
Depart	„	21st „	
Reassemble	Calcutta	5th January 1922.	
Depart	„	20th „	
Arrive	Rangoon	23rd „	
Depart	„	27th „	
Arrive	Madras	30th „	
Depart	„	7th February.	
Reassemble	Bombay	20th „	
Depart	„	6th March.	
Arrive	Delhi	8th „	

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6. Replies and all communications should be addressed to the Secretary, Indian Fiscal Commission, Simla, up to the 31st October 1921. Thereafter they should be addressed to the Secretary, Indian Fiscal Commission, Camp, without the addition of the name of any post town.

QUESTIONS FOR WITNESSES.

A.—General.

The existing Indian import tariff is based primarily on revenue considerations. But it has been modified with a view to admitting free or at the favourable rate of 2½ per cent. articles the cheap import of which was considered desirable in the interests of the country. Thus certain raw materials, manures, agricultural implements, dairy appliances and cotton yarn are admitted free. Machinery, iron and steel and railway plant and rolling stock pay only 2½ per cent. *ad valorem*. The general rate, under which come the bulk of imports, is 11 per cent. *ad valorem*, while certain articles such as motor cars, jewellery and silk goods have been specially subjected from revenue considerations to a duty of 20 per cent. Sugar is charged at a special rate of 15 per cent. and high duties are imposed for revenue purposes on tobacco and liquors. An excise duty at the rate of 3½ per cent. is levied on all woven cotton goods manufactured in power mills in British India.

Export duties imposed for revenue purposes are at present levied on raw and manufactured jute, rice and tea. In 1919 an export duty was also imposed on raw hides and skins, with a rebate of ¼ of the duty on hides and skins exported to any part of the Empire. The object of the duty was partly to foster the Indian tanning industry and partly to maintain a key industry within the Empire.

A Revenue Tariff.

1. Do you generally favour a policy of free trade or protection? If the former, have you any objection to the imposition of customs duties for the purpose of obtaining revenue?

2. Do you consider that a tariff provides a more or a less suitable form of taxation for India than direct taxation? If fresh taxation were necessary would you prefer an increase in customs to an increase in direct taxation?

3. If you accept the principle of imposing a tariff for revenue purposes would you suggest any change in the list of articles taxed or in the rate of taxation?

4. Do you consider that the tariff should continue to be based on existing principles? If so, please explain your views as to the advantages of this policy.

5. What effect do you consider the existing tariff policy has had on Indian industries in the past, and what effects on Indian industries would you anticipate from a continuance of this policy in the future?

6. When a duty is imposed on an article imported from abroad do you approve in theory or in practice of imposing an excise duty on the same article manufactured in India?

7. If you favour the imposition of excise duties is it on the ground that no protection of any kind should be afforded to the home manufacturer as against the foreign manufacturer?

8. Can such duties be imposed without raising the price to the consumer?

A Protective Tariff.

9. Do you consider that the tariff should be framed primarily with the object of fostering Indian industries? If so, please explain the advantages anticipated.

10. Do you look forward to India becoming in time independent of other countries in regard to all her requirements of manufactured goods, or do you consider that there are certain manufactured goods for which she is always likely to be dependent on other countries? If you hold the latter view can you furnish a list of articles for which India will have to depend on other countries?

11. Would you, for the purpose of developing Indian industries, favour the imposition of protective duties on all imported manufactures or only on some?

12. If you favour the protection of some industries only, which would you select for protection and on what principles?

13. Do you consider it desirable to establish new industries by protection? If so, on what principles would you select them?

14. Would you confine protection to industries which are likely after a period to be able to face foreign competition without such assistance, or would you contemplate the establishment of industries which would be likely to require continuous assistance?

15. Would you grant special protection against foreign goods favoured by such measures as dumping, bounties, subsidies or transport concessions? If so, what means would you suggest for ascertaining the exact facts and what measures would you advocate to afford the necessary protection?

16. What is your attitude towards hand industries and in particular towards the cotton handloom industry? Do you wish them to be maintained or not?

17. Is there any danger in India of protection leading to combination among the protected manufacturers in order to maintain a quasi-monopoly price? If so, what safeguards would you suggest to counteract the effect of such a combination?

18. Do you think that, if a protective policy is adopted, it is likely that British or foreign industrial firms will endeavour to establish themselves in India in order to get the benefit of the protective tariff? If so, what would be your attitude towards such a movement?

19. In countries under a protective system it sometimes happens that producers of raw material ask for protection, while manufacturers who use the raw material oppose them, wishing to get their raw material as cheaply as possible. In the same way a demand of the spinning industry for protection is sometimes opposed by the weaving industry whose interest lies in cheap yarn. Do you think that conflicts of interest of this nature would be likely to arise in India and that if they did arise there would be any difficulty in adjusting them?

Effect of Protection on prices and on the consumer.

20. When an import duty is imposed, do you consider that ordinarily the whole or any part of it is passed on to the consumer in a rise of price?

21. If a protective duty causes a rise in price, is that rise likely to be permanent or not?

22. Would you be willing to accept an increase in price to the Indian consumer for the sake of developing Indian industries?

23. In considering the above question would you have regard to the point whether the protected article was a necessary of life? If so, what articles would you class as necessaries?

24. If you hold that an increase in the tariff rates would tend to increase the cost of living in India do you think the increased cost would be covered wholly or in part by a rise in wages or salary for—

(*a*) the industrial wage earner,

(*b*) the agricultural wage earner,

(*c*) the middle classes.

Effect of Protection on Foreign Trade.

25. What effect do you consider a policy of protection would have on the foreign trade of India and on the general commercial position and prospects of the country?

Use of Tariff for bargaining.

26. Do you consider that the existence of a tariff which could be used as an instrument for bargaining with other countries would be advantageous to India?

27. If so, would you recommend the adoption of general and special tariffs, the special being applied to countries from which India receives favourable treatment?

28. If the tariff is to be used in this way, would it be necessary to make it more detailed than it is at present?

Organisation for investigating the claims of Industries.

29. If a policy of protection were adopted would you recommend any kind of permanent organization for investigating the claims of various industries to protection from time to time and for the periodical readjustment of tariff rates?

Export duties.

30. What is your view of the proper function of export duties? Do you think that they should be imposed only for the purpose of raising revenue or do you think that they may be utilised for other purposes also?

31. What do you consider generally is the effect of export duties on the export trade? Can they in certain circumstances be imposed without injury to the trade? If so, in the case of what trades in India could this be done, and to what extent?

32. Would you consider it advisable to impose an export duty on a raw material in order to encourage its retention in India either for purposes of manufacture or for any other purpose? If so, please examine instances in which you would recommend such action and consider whether it would have any effect on the producers of the raw material and the amount they would produce.

33. Do you consider that it would be of advantage to India to impose an export duty on foodstuffs with a view to controlling their export and thereby lowering Indian prices and the cost of living? What effect do you consider such action would be likely to have on the agricultural interests and on the quantity of foodstuffs produced in India?

34. Would you consider it advisable to impose an export duty on a raw material in retaliation for an import duty imposed by a foreign country on the manufactured article? If so, please examine cases in which you would recommend such action.

B.—Imperial Preference.

At present reduced duties are levied by Canada, Australia, South Africa and New Zealand on a number of articles imported from the United Kingdom. In Canada, Australia and New Zealand the preferential duties are usually about $\frac{1}{3}$ of the full duty, though the fraction varies considerably both above and below this figure. The South African preference is a small one and is usually only a rebate of 3 per cent. *ad valorem*.

The United Kingdom has recently established preferential rates which are granted to the whole Empire on nearly all articles on which import duties are levied in the United Kingdom. The preferential rate is as a rule either $\frac{2}{3}$ or $\frac{3}{4}$ of the full rate.

A number of the smaller colonies grant preferential rates to the United Kingdom, and there are also various agreements between different parts of the Empire for mutual preference.

The countries which at present levy a lower rate of duty on certain goods imported from India as compared with the general duty levied on imports from foreign countries are the United Kingdom, Canada and New Zealand.

The articles of interest to India on which such lower duties are levied in the United Kingdom are tea, coffee and tobacco. These are all charged $\frac{5}{6}$ of the full rate. In the case of Canada the only Indian imports of any account are tea, jute cloth and raw hides. There is no duty on raw hides or jute cloth. On Indian tea the rate is 7 cents per lb. as against the rate of 10 cents on tea imported from countries outside the Empire. New Zealand imports from India a small quantity of tea which pays 3*d.* per lb. as against the rate of 5*d.* charged on tea imported from outside the Empire, and a small quantity of candles which are charged 1½*d.* per lb. instead of 2½*d.* Other imports from India into New Zealand are for the most part either free or receive no special treatment.

35. Are you on general grounds favourable to the idea of Imperial Preference? If so, do you think that India would be justified in risking any appreciable economic loss for the sake of Imperial Preference?

36. Would you differentiate between the policy to be adopted towards the United Kingdom and towards other parts of the Empire?

37. Do you anticipate any material loss or gain to India from a system of Imperial Preference? In particular, do you apprehend any likelihood of retaliation by foreign countries against India?

38. If you are in favour of preference, can you give a list of articles imported into India and exported from India to which the policy of preference might be applied? What would you consider a reasonable average rate of preference?

39. What principles would you apply in selecting articles to which preference might be given on import into India? Would you give preference in the case of goods which India hopes in time to manufacture mainly or entirely for herself, or only in the case of goods for which India is likely to have to depend on other countries?

40. If preference were given by raising the import duties on goods coming from foreign countries, the existing rates being maintained for British goods, do you anticipate that this would raise the price to the consumer or not?

41. Do you think that a system of Imperial Preference is likely to increase or diminish the total volume of Indian imports or exports, or to alter appreciably the proportion between them and thus affect the balance of trade?

42. Do you consider that the partial or complete diversion of trade from foreign countries which might result from Imperial Preference would have any effect on India's general trade position?

C.—Manufactures.

43. Are you interested in any industry and if so, in what capacity?

44. Do you consider that there are natural advantages for the industry in India? If so, please enumerate them.

45. Do you consider that the industry is essential to the national security or of substantial importance to the economic prosperity of India?

46. What is the state of organization and equipment of the industry in India as compared with that in other countries?

47. On what markets does the industry depend for the sale of its output?

48. What foreign competition (including for this purpose competition from the United Kingdom or other parts of the Empire) does the industry have to meet—

(*a*) in the Indian market;

(*b*) elsewhere?

Does this competition extend to all or only to particular classes of goods, and does it vary with different classes of goods?

49. Apart from questions of organization and equipment are there any special circumstances, natural or artificial, which give the competing country an advantage?

50. Do you think that the industry needs protection? If so, what rate of duty do you consider it is necessary to impose? Please give in detail the facts and figures on which you base your conclusions.

51. Do you think it likely that if protection is granted, the industry will eventually reach a level of development which would enable it to face foreign competition without the aid of protection, or do you think the industry will always remain to a greater or less degree in need of protection?

52. Does the industry ever suffer from dumping? If so, do you wish to suggest any remedy?

53. Is competition from other countries accentuated by depressed exchanges in those countries?

54. If so, is this phenomenon likely to be temporary?

55. Do you consider that any remedy is required? If so, what would you suggest?

56. Has the industry received any benefit from the successive enhancements of the tariff beginning in 1916? Can you describe the effects, so far as yet apparent?

57. Do you think the industry has suffered in any way from export duties? If so, please give in detail the facts and figures from which this conclusion is drawn.

58. Is the finished product of the industry used as the raw material for any other industry? If so, to what extent?

59. Does the industry use as its raw material the finished product of any other industry which is established or is likely to be established in India?

60. Would you prefer a system under which all industries would receive a more or less uniform protection, or one under which industries receive varying amounts of protection in accordance with their needs?

D.—Export Trade.

N.B.—These questions are intended not only for actual exporters, but also for those who produce for export.

61. What articles do you export and to what countries?

62. Are you interested in any of the articles on which export duties are levied? If so, what do you consider has been the effect of these duties?

63. Do you recommend the increase, reduction or abolition of any of the existing export duties?

64. Is the Indian export trade in any way hampered by high import duties imposed in certain countries? If so, do you consider any action feasible or desirable?

65. Do you think the export of any articles in which you deal would be stimulated by a preferential rate granted by the United Kingdom or any of the Dominions or Colonies? If so, what would you consider the minimum rate of preference for each article which would exercise an appreciable effect?

66. Do you consider that the lower duties at present levied on certain imports from India into the United Kingdom or Canada or New Zealand, as compared with the general duty levied on imports from countries outside the Empire, have had or are likely to have any beneficial effects on the Indian trade in those articles?

67. Do you think that any foreign country whose trade might suffer by a system of Imperial Preference would be able without injury to itself, or would be likely even at the cost of injury to itself, to penalise the Indian export trade to that country? If so, what are the Indian exports that might suffer?

68. If owing to a system of Imperial Preference the imports from certain foreign countries diminished, do you consider that this would tend to have any effect on the volume of Indian exports to those countries?

69. If so, would there be an alternative outlet for these exports, without economic disadvantage, within the British Empire or in other foreign countries?

E.—Import Trade.

70. What articles do you import and from what countries?

71. Have you observed any effects on your trade in particular articles from the year 1916 up to date, which can be ascribed in part or in whole to the changes in the rates of import duty?

72. Do you consider that an appreciable increase in the present tariff rates would seriously diminish the volume of imports? Can you give instances of any important commodities in which such a result is likely to occur?

73. What would you expect to be the effect on the import trade of a preference given to British goods—

(*a*) if the preference were given by maintaining the existing rate for foreign goods and reducing it for British goods;

(*b*) if the preference were given by maintaining the existing rate for British goods and enhancing it for foreign goods; and

(*c*) if the preference were given by a combination of (*a*) and (*b*), *i.e.*, raising the rate for foreign goods and reducing it for British goods?

74. If Imperial Preference were introduced would you recommend that the same preference on the same goods should be granted to all constituent parts of the Empire, or would you treat each part of the Empire separately, taking into account the question of what reciprocal benefits India would receive?

75. Do you think it likely that a system of Imperial Preference would diminish or increase the total import of any class of goods, or would it merely tend to alter the proportion in which that total is derived from foreign and British countries?

76. Would any undesirable results follow from diverting the source of Indian imports from foreign to British countries?

77. If you are favourable to Imperial Preference, to what articles would you be prepared to extend a preference if imported from the Empire or particular parts of the Empire, and what would you suggest as the amount of that preference?

78. Do you approve of the system of *ad valorem* customs duties, or would you prefer that the duty should be specific, *i.e.*, a fixed charge for a given weight or measure? If you prefer the latter system, what are your views on the necessity of readjusting the duties from time to time?

F.—Retail Trade.

79. What are the principal imported goods in which you deal?

80. To what extent can changes in the retail prices of imported goods from 1916 onwards be attributed to the increases in the import duties during that period? Can you give details of any such changes in retail prices with which you are familiar?

81. In the case of any important classes of imports can you give any figures showing to what extent demand diminishes as prices rise?

82. Have the increases in the tariff since 1916 affected your trade in any way?

83. What would you expect to be the effect on your trade if imports from the United Kingdom or from the whole Empire were taxed at existing rates while the duty on imports from foreign countries was raised?

Witness No. 1.

Mr. S. MOORE, of Messrs. E. D. Sassoon & Co., Ltd., Karachi.

Written statement dated the Novr. 1921.

1. *Q.* 70. Sugar from Java.

2. *Q.* 71. Yes. The demand for Brown Java Sugar has considerably declined and the quantity imported this year is about 70 per cent. less than 5 years ago. I consider this is largely due to the high rate of import duty which has stimulated the production of sugar in India. The type of sugar produced in India is rapidly taking the place of the inferior grades of foreign sugar and will continue to do so, as long as the rate of import duty makes the price of Brown Javas and other inferior grades prohibitive.

3. *Q.* 72. Yes, I consider that an appreciable increase in the present tariff rates on sugar would seriously diminish the volume of imports. It would also increase the price to the consumer, for India can supply neither the quantity nor the quality of sugar required.

4. *Q.* 73-77. Apart from Mauritius there is no serious competitor of foreign sugars with the Empire. Before the war, Mauritius Sugar was not imported into India in any large quantities comparatively speaking but in the absence of Austrian Beet Sugar it came into prominence. Up to now the Mauritius crop has found ready markets in the United Kingdom, in India and in Africa and I am of the opinion that if any preference were given to Mauritius Sugar coming into India it would not increase the quantity imported into this country.

5. *Q.* 78. I am not in favour of any alteration to the present system of assessing duty on sugar, which is a schedule tariff rate fixed annually.

Oral evidence, Karachi, the 28th November 1921.

6. *President.*—*Q.* Mr. Moore, you represent Messrs. E. D. Sassoon & Co. in regard to their sugar trade?

A. Yes, Sir.

7. *Q.* You say in answer to question No. 72 that an appreciable increase in the present tariff rates would seriously diminish the volume of imports. Do you think that is in any way disadvantageous?

A. It is a disadvantage if the industry in this country cannot supply the demand which would be shut out by an increased tariff; for instance, if an increased tariff were to curtail the import of 25 or 50 thousand tons and if the industry in this country cannot supply that quantity, you either have to consume less or pay a higher price.

8. *Q.* What do you think are the prospects of the country for supplying the deficiency?

A. During the last 7 or 8 years, I think the quantity of sugar produced in this country has increased by about 20 per cent. but I cannot give very much detail on that point. It is very difficult to get hold of reliable information, but the Indian Sugar Commission which recently submitted its report would give the necessary particulars.

9. *Q.* Do you think that there are reasonable prospects of India supplying her requirements of sugar if the present policy of a high tariff is continued?

A. Not for a considerable number of years. The acreage under sugar cultivation is very large, but the means of producing fine sugar are not the best. There is a very large percentage of waste which does not occur in Java and other sugar producing countries on account of more up to date methods and machinery.

10. *Q.* Don't you think that some of these industrial companies which have been started for the manufacture of sugar would deal with those difficulties and try to remove them?

A. Efforts have been made, but how far they have been successful, I cannot say. There is no doubt that the quality of sugar produced in this country is improving yearly; brown Java sugar is gradually dropping out of the market here and Indian sugar is taking its place.

11. *Sir Edgar Holberton.*—*Q.* Mr. Moore, you say that the present rate of import duty has caused a falling-off in the imports of inferior grades of sugar?

A. Yes.

12. *Q.* Presumably this means then that Indian sugar of similar quality is available at a cheaper rate, that is to say, the importing of this particular low grade sugar does not pay because you can get the local article cheaper. Is that the position?

A. The local article is now able to compete with brown Java sugar purely on the question of price. I daresay if you remove the duty on brown Java sugar, it would begin to come in here.

13. *Q.* That is your point: that the present duty brings the Indian supply to the consumer at a cheaper price?

A. Yes.

14. *Q.* Is there a sufficient supply of this cheaper quality of sugar? Is this lower grade sugar available from Indian supplies?

A. For the particular class of people who demand it, but the better class trade do not touch the Indian sugar. They do not touch brown Java sugar. They confine themselves to the superior white qualities, such as Austrian beet sugar and Mauritius sugar.

15. *Q.* The lower grades of sugar are consumed by the ryots and the lower class people generally?

A. Yes.

16. *Q.* Well, the consumer actually would not have to pay more owing to the import duty that has been put on sugar, excepting the consumer of the better quality of sugar?

A. Of course before the war the rates were not as high as they are now. The people who were used to this Indian sugar used to get it much cheaper than they get it to-day and the Indian producer keeps his price within a workable limit, *i.e.*, under the price of Java sugar, and keeps away the competition.

17. *Q.* That is as regards the lower grades?

A. Yes.

18. *Q.* The superior qualities are not to a great extent available in India?

A. No.

19. *Q.* That is on account of the present inefficient state of the trade?

A. I would say it is largely due to that. I am not very well versed in the Indian production of sugar in this country. It is very difficult to get reliable information, and, as I say, the Indian Sugar Commission, I am sure, deals with that point very largely.

20. *Q.* The point that I was trying to get at was this. Supposing there was a further increase in the duty on sugar, it would not fall on the people of India at all, but on the high grade consumers in India?

A. Yes, I think you can say that.

21. *Mr. Narottam Morarjee.*—*Q.* Mr. Moore, you say that the price of the superior kind of sugar is very heavy. Will India not be able to produce a better kind of sugar?

A. It may in time: The qualities are slowly improving and it would be difficult to say when they will be able to put this on a competitive basis.

22. *Q.* I think new companies have been started and that it will not be very long before they are able to produce a better kind of sugar?

A. No. But I understand they will be more concerned with profits than with increasing their qualities. I am speaking from hearsay. The high rate of import duty has very considerably stimulated the industry here, not from the point of view of improving the quality but improving their profits.

23. *Q.* Can you suggest any other basis on which the annual assessment of the tariff rate could be made?

A. No. If you begin to make it an *ad valorem* rate, some one has got to take the risk of the import duty, which would handicap business to a very great extent. This present system of a scheduled tariff rate has been tried and it is the most successful.

24. *Sir Montagu Webb.*—*Q.* Can you, Mr. Moore, give the Commission some idea of your experience in dealing with sugar? Have you any experience of the manufacture of sugar?

A. No. I am sorry I have none at all.

25. *Q.* You are a merchant dealing in sugar?

A. Yes

26. *Q.* What experience had you in other parts of India and for how long?

A. I was in Calcutta for a little over two years, but I did not touch sugar there. I was in Bombay for 5½ years and I had the handling of the sugar business. Here I am supervising it. We have a man to attend to the sugar business. I am not very closely in touch with the sugar business here. We do not profess to be sugar experts at all. We can, of course, tell when a sugar is not up to the sample.

27. *Q.* Your experience is that of a merchant trading in sugar?

A. Yes, that is all.

28. *Q.* In reply to Question No. 71, you say that the high rate of duty has stimulated the production of sugar in India. You mean that the production of manufactured sugar and not raw sugar has been stimulated?

A. It has stimulated the sugar cane industry, I mean cane sugar which is grown in India.

29. *Q.* Do you mean to say that it has stimulated the growth of more cane or stimulated the manufacture of cane into sugar?

A. It has stimulated the growth of more cane. It has put a larger area under cultivation. Now India produces about 3 million tons of sugar a year. Before the war I think it was 2½ millions on a liberal estimate. The extra half a million tons is entirely due to extra cultivation combined with more up to date methods.

30. *Q.* Then you are of the opinion that the effect of the duty is to encourage more cultivation and better manufacture?

A. It should do.

31. *Q.* Do you think the duty would add to the price of sugar for the Indian consumer?

A. I think the tendency is that they would keep the price just underneath the price of imported sugar, and if people cannot pay the price of the superior quality, they will just stop using it or use an inferior grade. Take the case of the people at home. Owing to the big scarcity of sugar during the war, many people learnt to do without sugar, and the quantity of sugar consumed at home now is much less than before the war, although the supply is very plentiful. Whether it will go back or not, I could not say. But the tendency is if you cannot pay the price, you have to stop using it.

32. *Q.* You say that the Indian manufacturer would probably keep his price just below that of the imported article. You mean by that, I take it, that the consumer will be paying the duty which the importer has to pay?

A. Indirectly, yes.

33. *Q.* That is to say, if imported sugar pays a duty, the price must of necessity be a little higher and the Indian manufacturer would probably keep his price just below the price of the imported article?

A. Yes.

34. *Q.* So, I take it that the effect of the duty will be to increase the price of the sugar to the Indian consumer?

A. Yes.

35. *Q.* You think that will be so?

A. Yes.

36. *Q.* Do you think there is any objection to the Indian consumer paying more for his sugar if by doing so it will encourage the growth of sugar factories in this country? There is no doubt, I take it, that the consumer will have to pay more. Is it worth while for the whole consumers of India to pay more in order to establish better and more factories? I want your opinion on this point.

A. Personally I do not think so. Sufficient sugar can be grown in this country, and with up to date methods and proper organization, there is no reason why the industry should not develop entirely on its own without support from import duties or anything else, and I do not see why consumers as a whole should pay import duties in order that the trade should be supported and encouraged in that way.

37. *Q.* Do you think it would be better to improve methods of production rather than support existing methods by import duties?

A. Yes.

38. *Q.* In answer to Question No. 72, you say that India can neither supply the quantity nor the quality of sugar required. Do you mean that at present India cannot supply?

A. Yes.

39. *Q.* India cannot supply all the quantity at present but with improved methods there is no reason why India should not supply both the quantity and the quality needed for internal consumption?

A. Yes.

40. *Q.* Do I understand correctly that in reply to Questions 73 to 77 you say that you are not in favour of a policy of Imperial preference on the ground that there would be no benefit to India?

A. Yes.

41. *Q.* Would you explain exactly why you prefer the present method of levying duty on a tariff value rather than on the quantity of sugar imported?

A. At present the tariff value is fixed on the average rate. This year I believe it is Rs. 32, although the present price of sugar is Rs. 18 to Rs. 19 per cwt. But next year, we shall benefit by this year's low prices. We sell sugar here on a c. i. f. basis and we know that with all sugar arriving in 1921, the import duty is so much per cent., *i.e.*, on a certain basis. The importer knows it and the buyer knows it. There is no risk on either side. We know exactly how we stand. On the other hand if you are going to alter the rate from time to time and make the import duty a sort of separate item and a separate risk, the importer does not feel inclined to take it, and the dealer or the consumer does not feel inclined to take it. If the importer takes it, he naturally adds a little on to his price to ensure himself against any loss. It is a method I do not aprove of at all on account of what I consider to be unnecessary risk. A dealer in sugar is not a dealer for one year; he is probably a dealer for his life time or a few generations. He may be paying a high duty or a high tariff rate this year, but probably sugar may be Rs. 30 next year and he is paying duty at the rate of only Rs. 18 or Rs. 20.

42. *Q.* Surely there would be much less risk if the duty is imposed on the quantity, say 4 annas per cwt. Everybody then knows the duty. If you put it under a tariff value with those alterations each year, surely there is more risk? You give the contrary view. You think it is better to put the duty on a tariff value basis than on the quantity? But at first glance, it seems to me that there is more risk and uncertainty in putting it on a tariff value than on quantity, say a Re. per cwt. It will never vary. Why is your system better?

A. It does not vary. In this case nobody takes a risk.

43. *Q.* You do not know what the tariff value is going to be next year?

A. There is only one month's uncertainty.

44. *Q.* I want to understand why you prefer one month's uncertainty to having a system which will give you no uncertainty?

A. If you are going on quantities, at so much per cwt., there is going to be a lot of adjustment. A certain percentage of the bags that arrive here are in a torn and burst condition, and we clear the sound bags, we take the average quantity, and we

weigh the sound bags and the torn bags are put on one side.

45. *Q.* Then your reason for preferring the tariff value method is to avoid discussions with the Customs people?

A. Yes. We have no particular grudge against the Customs.

46. *Q.* I only ask because it appears to me that it is much simpler to put the duty on the weights rather than on tariff values so far as the public is concerned.

(*President.*—Lower qualities would be taxed more heavily than the higher qualities.)

47. *Q.* There are different tariff rates for different qualities.

A. Yes.

48. *Mr. Coyajee.*—*Q.* You say that the tariff rates would increase the price of sugar to the consumer, and that an appreciable increase in the present tariff rates on sugar would seriously diminish the volume of imports. That means if you raise the tariff rate on sugar it would raise the price?

A. Yes.

49. *Q.* But later on if the domestic industry thrives under protection the price might be reduced?

A. That I could not say.

50. *Q.* I mean if plenty of sugar factories were started.

A. That all depends on how sound the basis is of the Indian sugar industry. If it is sound and can stand competition well and good; if it cannot it will just go to the wall.

51. *Q.* Can you give us any idea how long it would be if a tariff was imposed, before the sugar industry would appreciably develop?

A. I am afraid I cannot tell you.

52. *Q.* Roughly would it be a generation or more?

A. I would not like to say anything definite.

53. *Q.* You think it would take a considerable time?

A. Yes, a long time.

54. *Q.* You say that the duty on sugar would hit mostly the upper and middle classes who consume sugar?

A. People who consume the superior grade of sugar, that is the best type of sugar that is produced. At present it cannot be produced in this country. But still if you tax any quality (it does not matter what it is), the price of the other qualities is bound to follow up to a certain point, so that all consumers of sugar are affected more or less.

55. *Q.* The middle class too are consumers of superior sugar?

A. Yes.

56 *Q.* Now, is the extension of the production of sugar in India, due to the duty levied or to the higher prices of sugar which have been prevailing for some time?

A. I consider it is largely due to the high rate of import duty.

57. *Q.* Is the stimulation of the production of sugar in India due to this duty or to the high prices of recent years?

A. It has been due to the general world shortage of sugar. Since the curtailment of the Russian crop and the Austrian beet crop, all countries which produce sugar have been benefited by this shortage. It does not apply to India only but applies to Mauritius, Java, Cuba, etc., also.

58. *Q.* So that you cannot exactly say whether it is due to the import duty or to the prevailing high prices of sugar?

A. The lower grades of sugar ceased to come into the country partly on account of the price and that has enabled the producers of sugar in this country to supply.

59. *Mr. Seshagiri Ayyer.*—*Q.* Have you any figures to show the effect produced on the importation of sugar by the new duty?

A. No, I am afraid I have not.

60. *Q.* A merchant who imports sugar tells me that in the last seven months the imports of sugar into India has more than doubled notwithstanding the high import duty.

A. The quantity imported into Karachi certainly has increased very much. But it appears to me that the trade is leaving Bombay and coming to Karachi. The excess which is shown here in Karachi is almost made up by a corresponding decrease in Calcutta or in Bombay.

61. *Q.* Are you sure that there is a decrease in the imports of sugar into Bombay?

A. No, but the general opinion of all merchants is that it is so.

62. *Q.* A merchant told me that he imported last year (1920-21) sugar to the value of Rs. 7,23,189. This year from July his imports of sugar have been to the value of Rs. 1,03,59,000.

A. So far as Karachi is concerned the last three months have been the largest on record.

63. *Q.* Therefore, the import duty has not affected the coming in of foreign sugar?

A. I believe there has been a decrease in Bombay though not to the same extent.

64. *Q.* Has there been any appreciable decrease? I was told that during the last six months, something like 4 times the ordinary amount of sugar has been coming in (on the whole) into India. That shows that the import duty has not in the least affected the import of sugar.

A. The high prices ruling for sugar all over the world and the expectation of demands from Germany and Austria (which did not materialise) encouraged speculators to a great extent last year. This year they made preparations without any buyers in their minds at the time, to get a very large quantity of sugar. I do not think there is a dealer in Karachi who has not suffered very heavily on account of these practices.

65. *Q.* Has there been any dumping of sugar into India?

A. Speculators have dumped it very largely, and they are losing much.

66. *Q.* The price of sugar at this moment is about Rs. 19 per cwt.?

A. It was brought down steadily from Rs. 35.

67. *Q.* Is the country in any way affected by the import duty on sugar?

A. Chiefly speculators. Whether actual importers have been influenced it is difficult to say.

68. *President.*—*Q.* It has not either raised prices or diminished the quantity?

A. It has not raised prices as regards sugar.

69. *Mr. Seshagiri Ayyer.*—*Q.* It has neither diminished the quantity imported nor has it increased the price of sugar?

A. That is due to large crops of sugar in Java, Mauritius and Cuba. Germany is practically importing none at all. In fact, Germany and Austria have been exporting sugar, which nobody anticipated so soon.

70. *Q.* Moreover, you had a very good crop in India?

A. India has had a good crop of sugar.

71. *Q.* Still there has been a considerable import of sugar into India notwithstanding the import duty. In answer to Sir Montagu Webb you said that the price to the consumer would be increased if there is this import duty. Now would it not drive the Indian ploughmen to consume sugar made in their own country? Would it not have that effect?

A. It is largely a question of taste, and I have not observed any keen desire to take as much as possible of the Indian commodity.

72. *Q.* You know that, and that even if there is the import duty, the higher classes would rather be inclined to take the Indian commodity?

A. It may be so, but it rather remains to be seen.

73. Q. I understand (I do not know from experience) that brown Java sugar imported into this country is mixed with Indian sugar so that people may consume it as *desi* sugar. There is a great feeling in favour of the *swadesi* article?

A. It is a question of economy; Java sugar has a higher percentage of sweetness than the sugar here.

74. *Q.* There is so much of good quality cane here that the quality of the sugar produced in this country can be improved by Government encouraging a pioneering industry as regards sugar?

A. I think that progress would be better and more secure if they took on this improvement themselves.

75. *Q.* Expert advisers and the best machinery can be obtained if Government can help.

A. Government can help, as they have been doing in other countries.

76. *Q.* Is it not your opinion that having regard to the large quantity of cane, it is the duty of Government to come forward and help these people.

A. I cannot say what Government ought to do and ought not to do.

77. *Q.* I am asking your opinion. You have come to give evidence on that matter, and I am asking your opinion.

A. (No answer).

78. *Q.* I want to ask whether it is not for Government to help?

A. I prefer not to answer a question like this.

79. *Mr. Birla.*—*Q.* In your answer to Question No. 71 you say that the type of sugar produced in India is rapidly taking the place of the inferior grades of foreign sugar and will continue to do so as long as the rate of import duty makes the price of brown Javas and other inferior grades prohibitive, and I find also that in your oral evidence you are supporting the same view. But in your answer to Question No. 72 you say that India can supply neither the quantity nor the quality of sugar required.

A. The first answer refers to inferior sugar and the second refers to superior as well as inferior sugar.

80. *Q.* What is the difference between white and brown sugar, I mean in price?

A. Usually there is a difference of Re. 1; sometimes 12 annas.

81. *Q.* If the import duty affects brown sugar, it should equally affect white sugar. Why has it not affected white sugar?

A. Because this country cannot produce sugar similar to the superior white Java in anything like sufficient quantities to affect the white Java.

82. *Q.* Is it not a fact that on account of a certain religious feeling people always like to use *desi* sugar, and therefore there is a certain amount of prejudice against the white sugar?

A. I have not come across prejudice so far. I have no experience of the up-country markets although a considerable quantity of Java sugar has gone to the Punjab and the United Provinces this year. They seem to me to take it very readily there.

83. *Q.* I see any way that you think that the import duty has stimulated the production of sugar in India and that if a policy of protection were continued it would tend to increase the sugar industry in this country. Is that your view?

A. Yes. It should do so.

84. *Q.* You say that an appreciable increase in the tariff rates would increase the price to the consumer, for India can supply neither the quantity nor the quality of sugar required. Don't you think that if the high rate of import duty is continued, the price of sugar produced in this country will eventually go down on account of internal competition brought about by the large output?

A. No.

85. *Q.* Why?

A. I have already said that the price of sugar produced in this country will be kept just below the price of foreign sugar landed here.

86. *Q.* But suppose that on account of Protection the industries of this country had expanded to such an extent that they were able to meet all the requirements of the country, and conditions arise in which there is a risk of prices going down by internal competition among the various manufacturers?

A. I do not think the object of the sugar producers in this country is to cut one another's throats in order to get a large business. They are not likely to carry on a sort of price war among themselves when they can easily sell whatever they can produce at a price very nearly equal to that at which people can import from abroad.

87. *Q.* You think that when the industry is established in the country, then prices will have to go down?

A. No; I do not think so.

88. *Q.* What is the reason?

A. My experience generally in sugar is that manufacturers are out to get the best price they possibly can.

89. *Q.* Do you think that high tariffs will effect the feeling of security of the investors, and make them invest their money in new enterprises, such as the sugar industry?

A. Given a sense of security it would.

90. *Q.* If they think that there is Protection given by the Government by the imposition of high tariffs, don't you think that capitalists would be inclined to put their money in such an industry as the sugar industry?

A. I do not approve of that all. I would not support any tariff which is going to give security to a certain class of men who were to put their money in a certain industry.

91. *Q.* On what grounds?

A. I do not think it is fair.

92. *Q.* Why is it unfair?

A. Because consumers have to pay every time. They have to pay high prices for a certain time. That they will do so long as such protection continues.

93. *Q.* You told us just now that when the industry is well established the price of sugar might come down.

A. Yes.

94. *Q.* That means that the rise in prices won't be permanent. It will be only temporary.

A. I do not say that prices will go down. I do not say whether they will go down or rise. It is somewhat difficult to say what will happen.

95. *Mr. Mant.*—*Q.* I understand Mr. Moore that your reply to Question No. 71 refers only to inferior sugar. You say that the production of inferior sugar is stimulated by the import duty?

A. The production of all sugar in this country is inferior. It has not reached the stage of being superior.

96. *Q.* But if there is certain fine sugar do you class that as inferior?

A. I call that inferior sugar. All sugar produced in India is inferior. Some people may not call it inferior. It looks quite good, but it is a question of percentage of sweetness. Sugars are all standardised in Java with certain numbers as 25, 26, 27 and upwards. They are white Java. Then numbers between 16 and 25 are second grade Java sugar, and then you get the inferior grades, numbers below 16.

97. *Q.* Where do you draw the line between superior and inferior.

A. What is called the 25 standard; anything below that is inferior.

98. *Q.* There is nothing equal to it in India?

A. Nothing equal to it.

99. *Q.* You say as regards the sugar produced in India that brown Java sugar is being crushed out by the duty. Is the sugar manufactured in refineries or small factories?

A. Chiefly in the refineries. On the Calcutta side they have the Cossipore Sugar Works. They make a superior sugar with their own cane sugar and produce a type of sugar of their own, which you call fine sugar. But they could not produce this type without the assistance of the Java sugar. The Cossipore Sugar Works have the most up-to-date refineries in this country. But then they cannot turn out No. 1 standard without the assistance of the Java sugar. But this sugar which is produced in India is ousting the brown Java sugar. The sugar manufactured in the smaller factories is consumed by the agricultural people and sweetmeat makers.

100. *Q.* You say that it is being ousted by the sugar produced in the smaller factories and consumed by the general mass of the people, and therefore much sugar is needed which is not imported. Therefore I infer that this duty has raised the price of sugar to the consumer here.

A. Yes, of course.

101. *Q.* Can you tell me whether this duty on sugar has any effect on the price of *gur*? As you know the great mass of consumption in this country is in the form of *gur*. You call it jaggery down in the south.

A. I could not tell you.

102. *Q.* You were talking just now of the duty on imports into India, and I understand that imports have increased. Has not the variation in price very much exceeded the amount of the duty?

A. You mean variation since two years ago?

103. *Q.* Since this increase took place last year.

A. I suppose importers bought irrespective of whether they had buyers in their mind or whether

they had not. It was a far higher price than what is ruling to-day. Importers are losing 4, 5 and 6 rupees a bag.

104. *Q.* The world price of sugar has gone down?

A. That has gone down considerably owing to favourable crops all over the world.

105. *Q.* Could you give us any idea of the percentage by which it has gone down, to compare it with the duty and whether the fall in world prices has been larger than the amount of the duty?

A. I should say the fall is 50 per cent.

106. *Q.* The world price really invalidates any argument of the effect of the duty?

A. For normal years that is true.

107. *Q.* Taking the last 7 or 8 years this increase of imports is very little. It almost remains stationary.

A. At least in this country there is increase. The consumption of the masses is great.

108. *Q.* But the total quantity of imports remains unchanged?

A. I do not say so; the last 4 months constitute a record.

109. *Q.* But referring back to 1912-13, to the last 9 or 10 years, imports have been practically stationary?

A. Yes.

110. *Q.* And the production of sugar has been increasing?

A. Yes.

111. *Q.* It has increased by 20 per cent. The increase in consumption has been made up by the increase in internal production largely.

A. Yes.

112. *Mr. Jamnadas Dwarkadas*—*Q.* I take it for granted that you would certainly welcome the prospect of India supplying its own wants in sugar?

A. Yes.

113. *Q.* It cannot do it now, but you would welcome the prospect of its doing so in future?

A. Yes.

114. *Q.* Now, you say that production has been stimulated by the import duty?

A. Yes.

115. *Q.* But in answer to Mr. Narottam Morarji you said that it has stimulated profits more than the quality—that the quality of sugar has not improved in the same proportion.

A. Yes.

116. *Q.* In answer to Sir Montagu Webb you said that the price will almost be prohibitive, and the result will be that people will give up using sugar?

A. Well, the tendency is, if the price is so high that people cannot afford it, they will rather give up using sugar than pay the increased price.

117. *Q.* Now, you admit that the production has been stimulated. Take this argument to its logical conclusion. Will not the existence of the high import duty still more stimulate the production?

A. Yes.

118. *Q.* Then probably the demand for sugar in India will largely be met by domestic production?

A. Yes.

119. *Q.* And the prices will naturally come down?

A. There I do not agree.

120. *Q.* Well, now, as Mr. Birla has pointed out, suppose there is a large production in India; and if we assume that your argument is correct, that if the prices are prohibitive, people will rather give up buying sugar than pay the increased cost, then the supply will be larger than the demand, and prices will go down?

A. If there is no demand, it is not likely that the supply will go on increasing.

121. *Q.* The production is bound to be stimulated as you say. If people stop using sugar, prices will come down on account of the greater production?

A. I say it does not naturally follow that production will be increased.

122. *Q.* I am assuming for the moment, though I personally do not think so, that there is a tendency among the people rather to give up buying sugar: if, at the same time production is stimulated, would not the natural consequence of it be that the prices will come down?

A. Temporarily, until the supply adjusts itself to the demand.

123. *Q.* If India is able to supply almost all the wants of the country, do you not think that the prices will reach the normal level?

A. Well, provided all other conditions are equal, *i.e.*, they have a good crop and they get what they anticipate out of the crop and the demand is normal. Provided all these conditions are equal, but no one can guarantee that.

124. *Q.* Provided all the conditions you mention are fulfilled, and the production in India is largely increased?

A. Only conditions change and you get a bad crop here. What will you do then?

125. *Q.* Leave aside the exceptional conditions.

A. But the exceptional conditions are so often cropping up nowadays.

126. *Q.* But normally it would go down?

A. Normally.

127. *Q.* Then in answer to a question by Sir Montagu Webb you said that it is the consumer who pays the increased import duty. Now you say that the price of sugar has gone down?

A. Yes.

128. *Q.* So, naturally the consumer pays much less than the increase in the import duty?

A. The price has gone down not on account of the import duty, but on account of the increased production in the world. This is an exceptional case: the import duty does not come in here.

129. *Q.* If you have an import duty and increased production in India, then prices will come down?

A. Possibly they may.

130. *Sir Maneckjee Dadabhoy*—*Q.* Am I correct in assuming from the examination to-day that you are in favour of an import duty on sugar?

A. I am not in favour of import duties on sugar.

131. *Q.* But you said in answer to Mr. Birla that you thought that this import duty was a proper duty. Do you wish to recede from that?

A. I do not remember that.

132. *Q.* You do not recede from the statement you made in answer to Mr. Birla? Do you object to the import duty?

A. Yes. I do object to import duties, but that is as a means of fostering any industry. But if they consider it necessary for revenue purposes, I quite agree.

133. *Q.* In answer to Sir Montagu Webb you said that this industry should stand on its own legs?

A. Yes.

134. *Q.* Do you know that the cost of producing sugar in India is much greater than in any other country?

A. That is quite possible.

135. *Q.* Are you not aware of it?

A. I have no definite information before me.

136. *Q.* Do you know that only 23,000 tons of cane sugar is produced from factories in India?

A. I am not aware of the quantity.

137. *Q.* Do you know that India imports something like 400,000 tons of foreign sugar?

A. Yes.

138. *Q.* How do you then expect the Indian industry which produces 23,000 tons to stand against foreign imports to the extent of 400,000 without a substantial import duty?

A. Your quantity of 23,000 tons does not cover all kinds of sugar.

139. *Q.* No. It does not. I am not talking of *Gur*. Can you suggest how this industry is to compete with the foreign industry without any sort of protection?

A. My information tells me that the sugar industry of this country has increased by 20 per cent. since the outbreak of the war.

140. *Q.* I will come to that. Do you know that before the outbreak of the war the import duty on sugar was only 5 per cent.?

A. Yes.

141. *Q.* Do you know it was subsequently raised to 10 per cent.?

A. Yes.

142. *Q.* Do you know that later on it was raised to 15 per cent.?

A. Yes.

143. *Q.* Then, don't you think that the imposition of this increasing duty has stimulated the internal sugar trade of India?

A. I have already said that.

144. *Q.* Then, taking that answer,—that you do admit that it has helped to promote the home industry—would you not recommend that this Commission should also recommend to Government that they should keep on this duty at at least 15 per cent., as otherwise it would be fatal to the manufacturers of this country?

A. I am against supporting any trade by import duties.

145. *Q.* You have told the Commission that the import duty has stimulated manufacture and you want to see sugar manufacture stimulated in the country?

A. On a sound basis. I contend it is economically unsound to stimulate the industry by an import duty.

146. *Q.* Am I to understand that though you admit that the increased import duty has stimulated the trade, yet you would not like to continue that duty?

A. Not with that object. I would like to see the trade improve and prosper without the support of that duty, and I contend it should be able to.

147. *Q.* If Government decides to keep this 15 per cent. duty for revenue purposes you would have no objection?

A. I can have no objection if it is for revenue purposes, because we must get revenue from somebody.

148. *Q.* Then, with the present deficit of the Government of India, you would have no objection to maintaining the present standard of duty?

A. If it is considered advisable, I have no objection.

149. *Q.* I will have to argue another way. This 15 per cent. duty has prompted people to come and establish factories in the country?

A. It is not the only factor; it is one of the factors.

150. *Q.* Would it be fair to these factories, which have been started on the assumption that the import duty will continue, to reduce the duty?

A. Well, I think they are taking ordinary business risks. They knew that owing to import duties they could produce sugar here, and if they are working on the assumption that they will have these import duties, if the import duties are going to be taken away I would consider it unfortunate, but it is a risk which most business men have to take.

151. *Q.* In answer to Sir Montagu Webb who asked you which you would prefer, either a quantitative duty or an *ad valorem* duty, I understood you to say that you would prefer an *ad valorem* duty?

A. No. I prefer the present scheduled tariff.

152. *Q.* Assuming a quantitative duty is imposed, there is constant variation in the quantity of the sugar.

A. Well, all the Java sugar here is standardised, and people buy by standards. If people buy white Java sugar, there are four or five qualities and only experts can tell you what quality a particular sugar is, but they will all be accepted as white Java. If any of the sugar is inferior an allowance is claimed.

153. *Q.* Apart from Java sugar, is there variation in other sugars?

A. Mauritius sugar is not standardised. There is some variation in them.

154. *Q.* So, a quantitative duty falling on all classes of sugar would affect the masses most, as the duty will fall heavily on the poorer quality of sugar?

A. I don't see how it would affect the consumer. Whatever duty is levied is included in the price which he pays for the sugar.

155. *Q.* I understood you to say that the import duties have helped the agriculturists to a certain extent?

A. Yes.

156. *Q.* Then a continuance of that duty would also benefit them permanently?

A. So long as the duty is imposed.

157. *Q.* So, I understand that it is in the interest of the agriculturists to impose an import duty?

A. They will benefit by it.

158. *Q.* And you will admit that agriculture is the primary industry of the country?

A. I believe it is.

159. *Q.* And the prosperity of the agriculturists would generally reflect on the prosperity of the manufacturers?

A. Yes.

160. *Q.* In answer to Mr. Mant, you said that the sugar prices have declined by 50 per cent.? That is a very abnormal circumstance?

A. Yes.

161. *Q.* And if the effects of the import duty have been vitiated by this great decline, it is surely an absolutely fortuitous circumstance?

A. Yes.

Witness No. 2.

Mr. E. L. PRICE, O. B. E., of Messrs. W. Cooper & Co., Karachi,

Written statement dated the 9th November 1921.

162. You state, "In 1919 an export duty was also imposed on raw hides and skins with a rebate of ¾ of the duty on hides and skins exported to any part of the Empire. The object of the duty was partly to foster the Indian tanning industry and partly to maintain a key industry within the Empire."

I wish to point out to you that the above statement is not complete. In the Budget Debate of the 18th March last the duty was defended not on the above grounds but only as calculated to produce a crore of rupees of revenue. The speech of Mr. C. A. Innes, Secretary to the Government, Commerce and Industry, is reproduced in my publication "Indian Legislative Economics" (pages 116-117). My point is that for whatever ostensible purpose other than revenue a tax is imposed, the proceeds tend to be absorbed by the Administration and looked on as an essential item of revenue. The tendency of Administrations is to spend all they can raise, and they speedily become unable financially to remove taxes imposed originally not for revenue but for ulterior objects.

163. Another instance of this tendency is the Customs Duty and Excise on motor-spirit. It was imposed in March 1917 for the purpose of reducing private consumption and so increasing the supplies of petrol available for War purposes. It was renewed in 1919 purely as a Revenue measure (*vide* "Indian Legislative Economics," pages 133-134).

I suggest to the Commission that if they recommend any new taxes to the Government, such recommendations should only be conditional on other taxes being lightened or removed, so that the burdens on the country be not increased.

I stated in the Legislative Assembly on 26th September last:—"The standard of taxation in India has already risen to the very limit that the people can or will stand; and I look with the greatest jealousy on any expenditure or anything at all that will raise the cost of taxation higher and throw a greater strain on the patience of the people." This remark was received with evident approval by the house, and I believe firmly it represents the views of the country. I make a particular point therefore that the Commission should not recommend any enhanced or new taxes that will add materially to the revenue receipts of Government, increase Government's spending powers, and so defeat the policy of retrenchment, economy and reduced taxation on which the country has set its heart.

There is again your expression "Key industry." The term can only mean an industry essential for the

equipment of armies and for waging war. The current military budget is 64½ crores, a severe drag on the wheel of India's progress. I had supposed that this total was at least inclusive of all the sacrifices that India has to make for defence purposes. But now you in effect postulate that she must make further economic sacrifices, incapable of exact financial statement, for the same object. But I suggest any boot or leather manufactures essential for Army purposes had far better be run by the Army Clothing Department, so as to be included in the Military Budget. If over and above the huge Military Budget "key industries" have to be maintained at the economic expense of certain sections of the population, then I say the burden is the more intolerable because it is incapable of exact financial statement.

In other words, the country and its Legislature are being kept in the dark as to the real cost of defence.

164. *Q.* 1. I favour the policy of free-trade. Customs duties for the purpose of obtaining revenue are an integral part of Government's resources. I see no hope of their abolition, but I advocate their reduction whenever Budget balances permit. I quote the Hon'ble Mr. W. M. Hailey, Finance Member, who said in the Assembly on 19th March 1921; "Taxation is always to be deplored. And every Member of any responsible Government will always try to keep taxation down as low as possible."

165. *Q.* 2. No. The historic form of taxation in India was direct,—land revenue assessment. Customs duties are a modern innovation. The bulk of them fall finally to be paid by the population on the land, which already pays direct taxation in land revenue assessment. This direct taxation is taken on their whole gross production while the direct taxation on the town income-tax, begins only at Rs. 2,000 net earnings.

In the unhappy event of further taxation being necessary (an event which I consider ought not to occur unless the country is stricken with national misfortune such as War, when all canons of equity are suspended and the law of necessity reigns supreme) such taxation ought to be arranged to fall on those now lightest taxed, not on cultivators.

166. *Q.* 3. I think that patent medicines should be taxed more highly than honest drugs imported as such. I advocate an import duty on silver. Both of these proposals were rejected in the Legislative Assembly last March. I suspect the high import duty put on tobacco and cigarettes last March has involved the operation of the law of diminishing returns.

167. *Q.* 4. So far as the present tariff falls highest on luxury imports and lowest on more necessary things I approve it as being in the interests of the consuming masses.

168. *Q.* 5. If there is an existing tariff policy, it has been one of taxation for revenue purposes only with one notable exception. The excise duty of 3½ per cent. on woven cotton goods manufactured in power mills was not imposed for India's benefit, and up to 1914 I consider it injured her industrial development in cotton manufacture. I consider this excise duty should be earmarked as one of the first items of taxation to be removed when the financial position permits.

169. *Q.* 6 and 7. I do not approve of excise duties as a counterpoise to import duties for the sake of foreign manufacturers.

I do not think excise duties should be imposed on any manufactures except such as, like alcohol, must necessarily be supervised by Government.

I know of no other country in the world that has an Exciseman in the weaving-shed.

170. *Q.* 8. Such duties do raise the price to the consumer: *C.f.* Answers Nos. 2 and 16.

171. *Q.* 9. I do not consider that the tariff should be framed primarily with the object of "fostering Indian industries." Industries thus fostered cost the country more than they are worth.

172. *Q.* 10. If (if!) ever industrialism so developed in India that she is self-contained for manufactures and independent of all foreign goods, the industrial workers recruited will need and consume the whole balance of food production which now in normal and favourable years is available for export. There never being then a margin for export, in unfavourable or famine years the whole shortage will fall at once on her own people.

Comparatively small nations, like England and Italy, at times have a difficulty in securing grain supplies abroad. The world's supplies are quite incapable of giving India regularly large quantities of foodstuffs. I therefore regard it as India's first duty to her people to maintain her balance of food-production for export in normal years, as a margin of safety for the lean years which are bound to occur at intervals.

173. *Q.* 11, 12, 13 and 14. I do not favour "protection" at all.

174. *Q.* 15. There are constant allegations that certain protected countries sell their products cheaper abroad than at home. The mere allegation supports the idea that prices in protected countries are always unfairly high to home consumers, and is a strong argument against protection.

I know of no damage done to India by "dumping." I should be slow to deprive Indian consumers of the boon of cheap supplies of anything, if such there be.

Till the contingency adumbrated comes into operation, I am not prepared to legislate against it.

Nor am I prepared by protective legislation to put Indian manufacturers in a position to sell abroad more cheaply than to their own people, as indicated in the question.

175. *Q.* 16. If the hand-loom industry can maintain itself against the power-loom freed of excise, well and good; it will economically justify itself. And I think it would.

In the first place there is the matter of fancy or fashion in clothes, one of the strongest instincts in human nature, to assist it. In the second place there is no evidence to show that power-loom manufacturers in India regulate their prices to compete with hand-loom products. Nor are their prices based on the cost of production *plus* excise and profit. They appear rather to be based on those of foreign imports, *for* nothing else could explain their really colossal profits since 1915.

But in the alternative, if the hand-loom proves unable to compete and to be threatened with extinction, it will be because it proves an economic failure.

I am not prepared at popular expense to prop up such industries; they are economically unsound and therefore manifestly wasteful.

176. *Q.* 17. (*a*) Every danger of such combination against consumers, especially where the industrialists are working in a small area, and already combined in recognised Associations.

(*b*) There is no safeguard but free trade.

177. *Q.* 18. I do think that if a protective policy for India were adopted, foreign *entrepreneurs* would establish works here. If so it would be in combination with their linked enterprises elsewhere. They would of course be here only to take advantage of the tariff, and their real interests would be elsewhere. I am not inclined to think that the intrusion of such combines would benefit India in any way.

178. *Q.* 19. Conflicts of interest would certainly arise and might cause corruption in the Legislature.

179. *Q.* 20. In normal circumstances the consumer pays the whole of the import duty and probably a bit more, because things passed on usually grow, snowball fashion. There is also the fact that in passing on a sum paid on the wholesale, the retailer dividing it among many petty customers is sure to keep himself on the safe side.

180. *Q.* 21. Nothing in this world is permanent, but a rise in price always tends to stick longer among retailers than the market justifies. The last man to face squarely a drop in the market is the retailer. Only free trade and free competition can regulate prices fairly for the consumer.

181. *Q.* 22. I would not be prepared to raise prices generally by protective legislation for the benefit of a section of the population.

182. *Q.* 23. A "necessary of life" is not a term of exact definition, but varies according to education, status, health and mode of life of the individual.

The barest necessaries of life are:—

Water.
Food.
Shelter.
Clothing.

Of these only the last presumably comes into consideration. I am certainly not in favour of raising

the price of cloth to the people for the sake of enriching the Mill-Owners.

183. *Q.* 24. (*a*) Not so long as the *entrepreneur* could help it.

(*b*) Not so long as the land-owner could help it.

(*c*) The middle-classes, including those in the professions, Government servants, those in clerical and other employment, retired persons (including widows and dependents) living on their savings and/or pensions have the least elastic incomes, and always suffer when prices rise.

A rise in prices always causes dislocation in domestic budgets, inconvenience to the moderately rich, suffering to those not well-off and actual privation to the poor. Only the small minority of really wealthy men stand to benefit.

184. *Q.* 25. Protection should undoubtedly diminish imports and *per contra* exports. If, however, exports were for the time being maintained, India would become a creditor country, and the only way to realise her foreign credits, shown by the high exchange value of the rupee, would be by accepting imports of goods and precious metals from her debtors.

While her credits and her exchange were thus high, protection would be *a tanto* nullified and her industries, especially those founded under her protective policy, would suffer severely. When the equilibrium was re-established and exchange fell again, her industries would revive again so long as exports did not exceed imports by more than the amount of her Home Charges. But a low exchange would of course generally help and stimulate export and tend to lead to a recurrence of high exchange with its attendant effects.

If protection thus promoted action and reaction in exchange, I do not think the position of the country commercially or industrially would be really improved; still less socially. Famine Relief is always a big contingent item of expenditure. Add to it unemployed relief in the towns and the financial position would become impossible.

I refer again to my Answer No. 10.

I insist on the need of India's maintaining its oldest and greatest industry, Agriculture, and on the need of taking no fiscal action tending to diminish the usual exportable food surplus, our only margin of safety.

185. *Q.* 26. A protective tariff would be advantageous not to India as a whole, but to two industries, Jute and Cotton, both of which are already prosperous and need no help.

186. *Q.* 29. Whatever the organisation, the final word would rest with the Legislature. I refer to my answer to Question No. 19 and repeat that a policy of protection would tend to corrupt our Legislature.

187. *Q.* 30. I disapprove wholly of export duties. Except in the case of absolute monopolies, of which India has only one (Jute), they tend to be borne by the producer, and the existing export duties therefore by rural interests. In the case of a monopoly, such as jute, they drive the country's foreign consumers to seek new methods, so as to reduce the quantities required, or substitutes.

188. *Q.* 31. I consider a system of export duties wholly harmful.

189. *Q.* 32. No. I beg to refer you to the Calcutta Hides and Skin Shippers pamphlet attached as to this and the three following questions.

190. *Q.* 33. (*a*) No, for such export duties would not long have the effect suggested.

(*b*) Such action would discourage production, and cause legitimately the bitterest complaints from agricultural interests.

191. *Q.* 34. I see no reason why the rural producer should be penalised for the sake of the urban industrialist.

There are also practical objections. The question of "ultimate destination" is difficult enough in War. To reintroduce it as an ordinary Customs matter in times of Peace would be to my mind to introduce a complicated system wholly disproportionate to the results aimed at.

192. *Q.* 61. Raw hides and skins, to whatever country will buy them.

193. *Q.* 62. The effect of the export duties has been wholly evil.

194. *Q.* 63. I recommend their abolition.

In this connection I would refer you to the Debate in the Assembly of 18th March 1921, reproduced on pages 108 to 121 of "Indian Legislative Economics" and also to the report of the Karachi Chamber of Commerce, dated 6th July 1920 reproduced in the Calcutta Hides and Skins Shippers pamphlet attached.

I am of course prepared to submit myself to cross-examination on these replies if the Fiscal Commission so desires, personally as regards my general replies, on behalf of the Karachi Chamber of Commerce as regards the Export Duties on raw hides and skins.

CALCUTTA HIDES AND SKINS SHIPPERS ASSOCIATION.

The Export Duty on Hides and Skins.

195. MEMO.:—The following correspondence includes the principal representations that have been made by the Calcutta Hides and Skins Shippers Association to the Government of India from the beginning of last year.

(I.)

Letter No. 20-H.S., dated Calcutta, the 17th February 1920, from the Association, to the Government of India, Department of Commerce and Industry.

I am directed to refer to the Association's letter No. 53-H. S., dated 16th September 1919, protesting against the imposition of an export duty on hides and skins.

2. I am now to inform you that at the annual general meeting of the Association, which was held on the 6th February 1920, and at which the export trade in hides and skins was fully represented, the following resolution was adopted:—

> That, in the opinion of the Calcutta Hides and Skins Shippers Association, the export duty has had a most detrimental effect on the trade in cow and buffalo hides, it has been imposed at an altogether inopportune time, for added, as it is to the high rate of exchange which now prevails, and which is likely to prevail for a long period, it has brought business practically to a standstill, in fact it so greatly restricts the export of the inferior classes of hides that large quantities of these classes, which cannot be shipped, will become absolutely worthless. In these circumstances the Association strongly urges upon the Government of India the necessity for the immediate removal of the duty which, without benefiting the Indian tanner, is unquestionably ruining the export trade in hides.

3. In their letter to which I have referred the Committee of the Association pointed out that India is only one of a number of countries producing hides and skins: and that consequently the Indian producer would either have to pay the duty himself, or to be placed on unequal terms with his competitors. This has proved to be in the result an entirely correct forecast. For at the present moment the inferior grades of Indian hides are, as is stated in the resolution, unsaleable, and large quantities of these grades will, it is feared, become valueless.

4. The members of the Association are quite in sympathy with any movement that will tend to promote the tanning of Indian hides within the British Empire. But the point is that the British tanners cannot take more than a fraction of India's production of hides. The inferior grades are not wanted to any great extent by either the British, or the Indian, tanners; and the export duty is a direct

hindrance in the way of the shipment of these grades to the countries where they are wanted. It is for this reason that the Association protests so strongly against the continuance of the duty. For on the one hand it is obviously not helping the Empire tanning industry, while on the other it is putting an end to a large and valuable trade.

5. The Association recognises of course that the present position of exchange is against the export of hides, as it is against the export of all Indian commodities. But the existence of such a handicap on the trade is of itself an additional reason for removing the duty. Exchange, and the high cost of labour in the consuming countries, are obstacles that cannot be overcome at the moment. But the export duty is an unnecessary obstacle, that is capable of removal; and the Association strongly urges that it should be withdrawn at the earliest moment.

6. In conclusion I am to express the hope of the members of the Association that their views, as expressed in this letter and in the resolution will receive the sympathetic consideration of the Government of India.

(II.)

Letter No. 1648-D., dated Delhi, the 24th February 1920, from the Government of India, Department of Commerce and Industry to the Association.

With reference to your letter No. 20-H. S., dated the 17th February 1920, I am directed to say that the Government of India regret that they are unable to accept the suggestion made by your Association that the export duty on raw hides should be removed immediately. As the shipments of raw hides during the months September to December 1919 were larger than in the corresponding periods of the previous seven years the Government of India do not see any justification for the assertion that the duty is ruining the export trade in raw hides.

(III.)

Letter No. 20-H. S., dated 29th April 1920, from the Association, to the Government of India, Department of Commerce.

I am directed to refer to your letter No. 1648-D., dated 24th February 1920, on the subject of the export duty on Indian raw hides and skins.

2. You state that the Government of India are not prepared to accept the suggestion made by this Association, namely, that the duty should be removed immediately. And you point out that during the months of September to December 1919, the shipments of raw hides were heavier than in the corresponding periods of the previous seven years. This being so, you state that the Government of India see no justification for the assertion that the duty is ruining the export trade in raw hides.

3. The official statistics of the exports of hides and skins are accessible to the public, and those for the period in question were known to the Committee when they addressed you on the 17th February last. The fact that the exports were heavy between September and December does not in any way affect their contention. They assumed that your department was more familiar with the position than it appears to have been; and they did not, therefore, think it to be necessary to go into statistical details. But the point is that an unduly large proportion of the shipments of hides from Calcutta have been since the imposition of the duty, and still are, unsold consignments.

4. In order to make clear to the Government the small proportion actually sold, duty paid, the Committee have obtained the particulars given below from the following sixteen of the principal Calcutta firms of hides shippers, namely, Messrs. Grace Brothers (India), Ld., Messrs. Bird & Co., Messrs. Allen Brothers & Co. (India), Ld., Messrs. Burk Brothers, Messrs. David Sassoon & Co., Ld., Messrs. Graham & Co., Messrs. M. M. Ispahani & Sons, Messrs. Charles Booth & Co. (Calcutta), Ld., Messrs. A. Forbes & Co., Ld., Messrs. Gladstone, Wyllie & Co., Messrs. Anderson, Wright & Co., Messrs. M. Arakie & Co., Messrs. Hafiz Md. Halim & Co., Messrs C. J. Mathews & Co., Messrs. Mitsui Bussan Kaisha, Ld. and Messrs. Enrico N. Stein:—

COW HIDES.

	11th Sept. to 31st Dec. 1919.	*Jan. & Feb. 1920.*
Total number of pieces shipped	1,659,734	591,619
Number of these actually sold (duty paid) to 16th March .	570,940	300,558

BUFFALO HIDES.

Total number of pieces shipped	162,904	62,997
Number of these actually sold (duty paid) to 16th March .	33,262	45,032

5. With this analysis of the shipments before them the Government of India will, the Committee feel sure, agree that the position is too serious to be disposed of by a mere passing reference to the extent of the export. The Committee are still of the opinion that, in the existing economic situation, the export duty is tending to the ruin of the export trade in raw hides. And they have instructed me to set out briefly the principal considerations which have led them to this conclusion. Before doing so, however, I am to remark that the members of this Association are only middlemen. They pay no part of the duty, which has to be borne entirely by the Indian cattle owner. Their business is the buying and the exporting of hides and skins. They have no objection to export duties as such; and their sole reason for intervening in the matter of the duty on hides and skins is that it is, in their opinion, tending to the ruin of their business, at least so far as hides are concerned. When the Association was originally formed there was a feeling, to which expression was given, that an export duty should be imposed. But at present, although the membership has greatly increased, and no members have left the Association, one member only is now in favour of the duty. This fact alone shows that the trade must be suffering.

6. Prior to the war only a very small portion of the exports of raw cow hides and raw buffalo hides went to countries within the British Empire. The largest buyer of kips was Germany, and the largest buyers of buffalo hides were the United States and Austria. The export duty was imposed, it is understood, to promote the tanning of Indian hides in the United Kingdom, in other parts of the British Empire, and also in India. The members of this Association entirely approve of these objects, but the position of the hides trade at the moment does not suggest that they are being realised to any appreciable extent. The supply of hides in India is greatly in excess of the demand. In fact rupee prices are well below pre-war level, and even so the hides are remaining unsold in huge quantities. Both cow hides (Dacca and Commons for example) and buffalo hides may be safely said to be as much as 10 per cent. to 20 per cent. below the pre-war rupee price level. In fact sales can only be effected, in many instances, at less than the cost of collection.

7. Such is the position as regards the rupee prices. But by reason of an adverse exchange, high cost of transport and of labour in consuming countries, and —as the Association contends—the export duty, the prices of Indian hides abroad are far too high. The bulk of the Indian production consists of the inferior grades of hides; and these can only be sold at low prices. The Indian demand is not likely to extend greatly; and at the moment the supply is far in excess of the combined requirements of British Empire and Indian tanners. The German and Austrian markets have been lost; and buyers in other countries will not pay prices 10 per cent. at least higher than those at which their competitors in British possessions can buy. It follows that foreign buyers are purchasing from other countries. They are being driven away from Indian hides which cannot find a market anywhere.

8. The attitude of the members of this Association in that it is not right for the Government of India to do anything to bring about, or to accentuate, a state of affairs such as this. Exchange, and the heavily enhanced cost of labour and transport in consuming countries, are, as I have said, operating against Indian hides. But neither the Government, nor the trade, can remove either of these adverse influences. The export duty—which is another influence operating in the same direction—is, however, capable of

removal; and the case against its continuance is undoubtedly worthy of the attentive consideration of the Government. There can be no valid reason why the Government should not facilitate the exportation of the surplus of India's production of hides. The wants of the British, and the Indian, tanner are more than satisfied; and it cannot be in the general interest of the country that any action on the part of the Government should tend to hamper the distribution of the balance. As matters stand the producer of hides in India is receiving less for his product, while the prices of commodities generally are rising. In this connection I am to suggest that the Government of India should elicit opinions from the Indian hide merchants in the principal centres throughout the country on the subject.

9. I have already mentioned that the members of the Association, a number of whom formerly favoured the duty, are now almost unanimously opposed to it. The Committee observe with interest that opposition is also developing elsewhere; and in illustration of this they instruct me to quote, for the information of Government, the following resolution which was adopted recently by the Leather Trade Section of the London Chamber of Commerce:—

> That in the opinion of this meeting of the Leather Trade Section of the London Chamber of Commerce, the Bill introduced by the Council of the Viceroy of India imposing an export duty on hides and skins from India (although with a rebate of two-thirds duty to Empire countries if the skins are tanned there) is very detrimental to the interests of the trade in Great Britain, and this meeting strongly protests as a matter of principle against its being imposed, and urges that no similar duties be sanctioned by the Secretary of State at any time without consideration of the views of the business communities in India and the United Kingdom.

10. In conclusion I am to express the hope of the members of the Association that the Government of India will attentively consider this representation, and will re-examine the question of the duty with a view to its abrogation.

(IV.)

Letter No. 1856, dated 7th May 1920, from the Government of India, Department of Commerce, to the Association.

I am directed to acknowledge the receipt of your letter No. 70-H. S., dated the 29th April 1920. A reply will follow.

(V.)

Letter No. 157-H. S., dated 10th December 1920, from the Association, to the Government of India, Department of Commerce.

I am directed to refer to the previous correspondence, resting with your No. 1856, dated 7th May 1920, on the subject of the export duty on hides and skins.

2. Your letter was an acknowledgment of a representation which was made by this Association, to your Department, on the 29th April 1920. The views of the Government of India on the proposal which was put forward by the Association, namely, that the export duty on hides should be withdrawn, have not been so far communicated. The Committee of the Association understand, however, that the question is engaging the close attention of the Government. They also observe, from your Department's notifications, Nos. 5212 and 5213, dated 14th August last, that the tariff values stated in column 4 of the export schedule have been reduced. But while they welcome this reduction, they do not regard it as being in any way a satisfactory substitute for their proposal that the duty should be withdrawn.

3. When my letter was written seven months ago the position of the export trade in raw hides was bad, but the Committee have no hesitation in affirming that to-day it is distinctly worse. No complaint was being made in April in respect of skins, which were selling at good prices, and the Committee confined their representation to hides. But at the present time the market for skins is seriously depressed. There has been a heavy fall in prices, and the Committee maintain that, in the existing situation, the duty is a distinct hindrance to the trade. India has no monopoly of goatskins; and the duty even on the basis of the reduced tariff valuations works out to the following percentages on current prices:—

18⅓%	on	1st	Grade	Goats	(approx.	market rate	160/-)
25%	,,	2nd	,,	,,	(,,	,, ,,	120/-)
60%	,,	3rd	,,	,,	(,,	,, ,,	50/-)
150%	,,	4th	,,	,,	(,,	,, ,,	20/-)

and 25/30% on average values of present stocks and supplies.

4. With reference to hides, the Committee would again emphasise the fact that the highest grades constitute only a small proportion of the Indian production. The bulk consists of the lower and lowest grades which are, and have always been, difficult to market except at very low prices. The English tanner considers that only the best qualities are worth the present high cost of labour. The Indian tanner is in such a position that he cannot take up the surplus production. And the continental nations who formerly bought the low qualities are not now in a position to buy freely. The situation as regards hides has thus become decidedly worse, and it has been, and is being, accentuated by the large carry-over of hides from last season.

5. It cannot be reasonably urged that in existing circumstances the duty is required to effect the purpose for which it was imposed, namely, the protection of the Indian tanning industry. Nor is it right, even for the protection of an industry, that the State should take such action as is calculated to depress the prices received by the cultivator and the cattle-owner for his production. Without the duty these prices would now be very low; and with it they are so diminished as to offer no encouragement to the collection and marketing of the lower and lowest grades. Then again it must not be overlooked that the duty is levied at the same rate on all grades whether high, medium, or low; and this inequality is of course a very heavy handicap on the lower and lowest grades.

6. The Committee have never contended, and they do not wish to suggest now, that all the evils from which the export trade in raw hides and skins is suffering can be remedied by the withdrawal of the duty. But their contention is, as they have repeatedly pointed out, that the duty is an evil which can be, and which ought to be, remedied. They do not claim that its withdrawal would bring about a great revival of the export trade; but they believe that there would be a marked improvement if it were withdrawn. For they know from actual cases within their own experience that the difference in price which is created by the existence of the duty does have the effect of stopping business.

7. There is no need for the Committee to emphasise the present unsatisfactory position of the Indian export trade generally, for they know of course that it is fully realised by, and is indeed a matter of the gravest anxiety to, the Government of India. But they do not understand how in these circumstances it is possible to justify the continued taxation of exported hides and skins. If it could be shown that the duty were benefiting any branch of trade there might be some justification for its continuance. But it is obviously of no advantage now to any trade or industry; and it is not imposed for revenue purposes. This being the position the Committee have no hesitation in again urging their previous proposal, namely, that the duty should be abrogated without further delay. If the Government are not, however, prepared to repeal it altogether, the Committee would propose its immediate suspension for a fixed period of two, or three, years.

(VI.)

Letter No. 8933, dated the 20th December 1920, from the Government of India, Department of Commerce, to the Association.

I am directed to acknowledge the receipt of your letter No. 157-H. S., dated the 10th December 1920. A reply will follow.

(VII.)

Letter dated 19th May 1920, from the Secretary, Burma Chamber of Commerce, Rangoon, to the Secretary to the Government of Burma, Maymyo.

I am directed to say that this Chamber strongly supports the memorial of Messrs. Fabricius & Co., Ld., Rangoon, praying for the re-examination of the effects of the export duty on hides on the export trade of Burma. According to the information before the Chamber, it is not merely the hides shippers who are suffering on account of the loss of their trade, which seems to be passing into the hands of foreign competitors, but also the large class of inland traders, who in many of the towns and villages of Burma, directly or indirectly gained a livelihood by keeping the Rangoon shippers supplied with hides for export. It certainly seems that, so far as the Burma hide trade is concerned, the export duty is working more harm than good; and, if this be so, this Chamber will be glad if the Local Government will move the Government of India to have the export duty on Burma hides reconsidered.

(VIII.)

Extract from the proceedings of a meeting of the Committee of the Karachi Chamber of Commerce held on the 30th June 1920.

Read as follows report of the Sub-Committee appointed under the Committee's Resolution No. 131 of 1st June 1920:—

1. On the introduction of the Bill in the Imperial Council in September 1919, the Hon'ble Member for Commerce and Industry explained that the object of the Bill was to protect the Indian tanneries started during the War, and for such hides and skins as they did not require to make certain they were tanned as far as possible within the Empire.

As to this we have to observe,—

(*a*) The Indian tanneries do not seem to have benefited as expected.

(*b*) The preference of 10 per cent. so far from helping Empire trade has proved a hindrance. The British trade is largely entrepot. The merchants concerned buy freely Plate, China, African and other sorts and can re-sell and re-ship them freely to the best buying markets, and only in the case of Indian sorts they are under Customs liability. This causes them to give an actual preference to "free" (*i.e.*, Non-Indian) sorts. So far, therefore, from the so-called "Preference" having helped Empire trade it stands in the way.

(*c*) The duty has fallen upon the producer, *i.e.*, the cultivator and herdsman, and the confusion caused by the export duty has probably cost them far more than the Customs have collected.

2. The Hon'ble Member also laid great stress on the world demand for Indian hides and skins. These observations were of course based on pre-war conditions, and we have to put forward the following points:—

(*a*) The world demand is only for the highest grades, which in India form a small proportion of the whole. The lower grades are and always have been difficult to market.

(*b*) The demand for Indian hides and skins is affected by several changes resulting from the War, *viz.*:—

(*i*) The use of substitutes for leather;

(*ii*) The diminished purchasing power, not only of enemy but of allied countries as shown by their exchanges;

(*iii*) The unwillingness of English tanners to handle the average Indian hide and/or skin. They consider only the highest grades of Indian sorts worth the present high cost of labour.

3. The Hon'ble Member also observed:—

"It is common knowledge that before the war the Indian Hides Trade was monopolised by the Germans." That was true only for Calcutta, utterly untrue of the Karachi trade, and it is impossible that the Germans should recover their monopoly at Calcutta having lost their shipping. The Germans had no monopoly of the skins trade anywhere.

4. We have already mentioned in 2 (*a*) and (*b*) (*iii*) the difficulty there is in marketing the lower grades. Yet under the system adopted, these goods pay the same export duty as the higher grades, thus adding to the natural difficulties of the case.

5. The collection of duty is a cumbersome affair involving much extra clerical work, and is a genuine obstacle to business when prompt or immediate shipment is required. The bonds required for shipments to British ports are even more troublesome.

6. The idea of the duty as per 1 is to protect Indian industry. Great labour is expended on the fleshing, stretching and preparation of "framed" hides. The essential difference between an ordinary and a framed hide lies in this labour. The higher export duty on the "framed" hide is, therefore, a tax on the labour expended. It is, in fact, a higher tax on a partly manufactured article. But if an export duty is leviable, we admit a higher schedule value for framed hides is unavoidable.

7. India has no monopoly in the supply of goat and sheep-skins. Under the duty it is an undoubted fact that she is finding greater difficulty to market her surplus production.

8. The bazar price for hides and skins necessarily has to cover the cost of their collection and transport. At the present prices ruling for the lower grades of hides and skins there is no incentive for the country folk to collect and market these. The result is a distinct economic loss.

9. The actual amount of duty payable depends on the schedule value. The duty on goat skins on the current depressed market works at 25 per cent. on the value of the highest grades and much higher on the lower and lighter grades. At the same time it would add to shippers difficulties to be frequently changing the schedule values. The system of levying duty on skins per piece and on hides per lb. is also unsatisfactory.

10. If the object of the export duty is to support Indian tanneries, it can only be by reducing to them the cost of their raw material.

In the same way export duties on other agricultural products would support the related industries.

An export duty on raw cotton would make that commodity cheaper to India spinning and weaving mills, on wool would benefit woollen mills, on wheat as such (with flour free) would benefit Indian flour mills, on oil-seed (with oil and cake free) would benefit oil crushers, and so forth, but in every case the benefits to the industries would be at the expense of the producers, the cultivators.

It is quite evident that any such general scheme would benefit the industries only temporarily and in the long run prove detrimental, for the cultivators would always be on the lookout for producing that on which they were most likely to earn the world price clear of export duty, and be most unwilling to produce solely for Indian industrialists.

And Indian industrialists under such protection might very easily form a pool or consortium, and so take greater advantage of the cultivators by buying produce only on their own terms. The protection and security of the cultivator lies only in this, that he has the world market to sell in, a market too big to combine against him, and his security is lessened by every factor (export duties, uncertain exchanges, high freights) that cut him off from the world market.

The export duties in the case of Indian hides and skins are 15 per cent. preferential for Indian tanners, 10 per cent. preferential for tanners within the Empire, and are supposed to put all other tanners at an equivalent disadvantage.

The British Empire is very large and has escaped envy, except from Germany, owing to the way in which all nations at peace therewith were given opportunity to buy their requirements therein on equal terms. If the Empire begins a policy of withdrawing those equal terms not only will envy develop, sowing the seeds of future wars, but retaliation at once becomes possible and justified. If the Empire, or any part of it, puts an export duty on a raw commodity largely bought by the U. S. A. why should not the U. S. A. put an export duty on raw commodities largely bought by the Empire, cotton and wheat? This becomes the more feasible when the world shortage of wheat and cotton are

considered. The only objections would be those raised by the planters and farmers who would thus be *a tanto* cut off from world markets.

But there is no need to state possibilities. The example set by India has already found imitators, Nayassaland proposes an export duty on raw cotton and the Argentine is imposing export duties on grain. This way lies disaster and India gave the lead.

Quite apart from any other consideration and on principle, therefore, we think India at once ought to retire from an untenable position and cancel the duties forthwith.

The report is unanimous.

156. RESOLUTION.—The Committee concur with the recommendations of the Sub-Committee that export duties on hides and skins should be abolished. The Government of India to be addressed accordingly.

(IX.)

No. 77-H. S., dated Calcutta, the 7th May 1921, from the Calcutta Hides and Skins Shippers Association, to the Government of India, Department of Commerce.

I am directed to acknowledge the receipt of your letter No. 3284, dated 25th April 1921, with reference to the export duty on hides and skins.

2. It is, to the members of the Association, a matter of much regret that the Government of India were unable to see their way to propose to the Legislative Assembly that the duty should be repealed. They of course recognise that, as you suggest, the Fiscal Commission will afford them an opportunity of again raising the question. But even if they can convince the Commission that the duty should be withdrawn, and the Government accept the finding of the Commission, it will be a very long time before the necessary legislative action can be taken. Meanwhile the position of the trade is steadily going from bad to worse. Indeed it may be safely affirmed that, so far as hides are concerned, the trade has never been in so grave a state as it is to-day. And it is feared that before the duty is abolished most of the firms of allied nationality who are now in the hides business will have been forced to withdraw from it. For not only have they to contend against the difficulties created by the duty but, as you will have observed from my No. 71-H. S., dated 7th May, determined efforts are now being made by German manufacturers to re-establish their pre-war control of shipments from Calcutta to Germany.

3. In connection with the debate in the Legislative Assembly I am to invite attention to the following remark which was made by Mr. C. A. Innes:—"I should in the first place" he said "like to remind the house that when we introduced the export duty on hides and skins last year we did it with the trade behind us—in fact at the instance of the trade."

Mr. E. L. L. Price: What trade Sir?

"*Mr. Innes*: The Hides and Skins Shippers Association, as the Association was then constituted, was in favour of an export duty." The members of this Association gladly acknowledge the sympathetic manner in which Mr. Innes referred to the case for the withdrawal of the duty; and they hesitate to criticise his statements. But they feel that they ought to make it clear that the particular statement which I have quoted is not strictly accurate. The facts are, briefly, that in a letter, dated 14th January 1919, the Association, as it was then constituted, urged the Government of India to impose an export duty. But when, in August of that year, the proposal was actually under consideration by Government a large majority of the members of the Association as it was then constituted—its membership having been materially enlarged in the meantime—objected strongly, and telegraphed a vigorous protest to the Department of Commerce. The list of members in January and in August 1919 was as follows:—

January.—Messrs. Graham & Co., Messrs. Gladstone Wyllie & Co., Messrs. Walker & Co., Messrs. David, Sassoon & Co., Ld., Messrs. M. Arakie & Co., Messrs. M. M. Ispahani & Sons, Messrs. Bird & Co., Messrs. A. H. Wheeler & Co., Messrs. Allen Brothers & Co. (India), Ld.

August.—Messrs. A Forbes and Co., Messrs. Charles Booth & Co. (Calcutta), Ld., Messrs. Enrico N. Stein., Messrs. C, J. Matthews & Co., Messrs. Burke Brothers, Mr. Hafiz Mohamad Halim, Messrs. Mogi & Co., Messrs. Mitsui Bussan Kaisha, Ld., Mr. K. L. Mohamad, Messrs. Grace Brothers (India) Ld., Messrs. Grandage Moir & Co., Ld.

4. As I have indicated, the Association refers to the point now not with the object of criticising, but merely to place on record the fact that, as soon as it became a body fully representative of the trade, it took up an attitude strongly antagonistic to the imposition of a duty. That attitude, which was defined clearly to the Government of India at the time, it has ever since maintained. And those few shippers who supported the duty in January 1919, and who were in the minority in August of that year, are now firmly convinced that the duty ought to be removed.

(X.)

Letter, dated Karachi 23rd May 1921, from Punjab and Sind Shippers, to the Government of India, Department of Commerce and Industry, Simla.

We, the undersigned dealers and shippers of Hides and Skins, working in Sind and the Punjab, have the honour to say that we desire to record our support of the Calcutta Hides and Skins Shippers Association.

We wholly endorse the terms of the Calcutta letter No. 77-H. S., dated 7th May 1921.

We also desire to record that the speeches of Mr. E. L. Price, M.L.A., and Mr. Chowdri Shah-a-buddin, M.L.A., made in the Assembly on 18th March last accurately represent the feelings of Sind and the Punjab on the necessity of cancelling the export duty at the earliest possible moment.

1.	Khansahib Alijah Alidina Alimahimed, 1st Class Honorary Magistrate.	Karachi
2.	Alijah Bandali Kassim, Honorary Magistrate.	
3.	Muki Rahimtulla Lutfalli.	
4.	Fuddoo Peroo Khalildina.	
5.	Sabzalli Ramzanalli.	
6.	Shaban Mohib.	
7.	Ahmeddin Illahibux.	Lahore.
8.	Sudderdin Mohamed Sidik.	
9.	Amerdin Dostmohamed.	
10.	Muneerdin & Co.	
11.	Amerdin Alladitta.	
12.	Shekh Khudabux.	
13.	H. Abdul Rahman Karam Illahi.	
14.	Haji Mohamed Varas M. Ismail.	
15.	Nizamdin M. Sharif Nabibux.	
16.	Chakhdin Gulamhussain.	
17.	Khizir Hyat Sodagardin.	
18.	Fazaldin Mohamed Sayed.	
19.	Pirmahamed Mohamedan.	
20.	H. Pirmahomed & Sons.	Amritsar
21.	H. Pirmahomed Sadrudin.	
22.	H. Noor Hussain M. Ismail.	
23.	Chrakhdin M. Ismail.	
24.	Mohamed Sharif A. Rahman.	
25.	Mohamed Hasan Allabux.	
26.	Haji Kadarbux Molabux.	
27.	Allajirea Dostmohamed.	
28.	Shamasdin Meherbux.	
29.	H. Gulamhusen Khudabux.	
30.	H. Gulamhusen Noormahomed.	
31.	S. Buda Dostmohamed.	
32.	S. Allibux Inayutulla.	
33	Fatehmahomed D'mohamed.	
34.	Nazamdin M. Sharif.	
35.	Jhindas Khanmahomedbux.	
36.	S. Budha Allimahomed.	
37.	Mukhi Jamadin Inayutulla.	
38.	Haji Gulsher Makamdin.	Sukkur.
39.	Fazulkarim M. Syed.	
40.	Fazuldin Mohameddin.	
41.	Allahbux Nabibux.	
42.	Haji Sultan M. Omerdin.	
43.	Haji Goolsher Charakdin.	
44.	Fazul Illahi.	
45.	Abdul Majid M. Amin.	
46.	Mohamed Sharif A. Rehman.	
47.	Mohamed Ismail M. Ashrif.	
48.	Jooma Subzalli.	

49. Karim Bundalli.	Hyderabad.	
50. Hood Shalloo.	} Karachi.	
51. Mahomedalli Bhaloo.		
52. Piroo Jiand.	Hyderabad.	
53. Khoja Ismaila Trading Co.	Karachi.	

(XI.)

Letter No. 21-E.-11, dated Karachi, 15th June 1921, from the Karachi Chamber of Commerce, to the Government of India, Department of Commerce, Simla.

I am directed by my Committee to address you on the above subject, and to state that this Chamber desires strongly to support the representation of the Calcutta Hides and Skins Shippers Association, made to you on May 7th, 1921, for the abolition of the export duty on hides and skins.

Calcutta, 13th July 1921.

Oral evidence, Karachi, the 28th November 1921.

196. *President.*—*Q.* You represent a local firm here?

A. I am in business here.

197. *Q.* You are a member of the Legislative Assembly?

A. I was, but I have resigned.

198. *Q.* The whole of your evidence, except in regard to the export duties on raw hides and skins is personal?

A. Yes, and as regards the export duties on raw hides and skins, my views and those of the Chamber are identical.

199. *Q.* Your general statement comes to this: that in your opinion India has been taxed at present to its utmost capacity, and that if as a result of this Commission's recommendations any further taxation in the direction of customs is imposed you would recommend that the Commission should state that there should be a simultaneous reduction in other directions.

A. Very certainly, Sir.

200. *Q.* You say you are in favour of free trade. Will you kindly give us your reasons why you say so?

A. Well, Sir, the policy of free trade allows every country and every man to do that which he can do best.

201. *Q.* That is, your view is that free trade is the best policy for every country in the world?

A. Yes.

202. *Q.* And if almost all countries in the world adopted a protective policy, you would still advocate free trade for India alone?

A. Well, it is very difficult to answer a hypothetical question like that.

203. *Q.* It is hardly a hypothetical question. As far as my information goes, almost every civilised country in the world has accepted a policy of protective tariffs, except England who is reconsidering her situation. And all other civilised countries, as far as my knowledge goes, are working on the principles of protection. Then, assuming that as a fact, would you still advocate that India, either alone or in company with Great Britain, should have a free trade policy?

A. I am still inclined to think that in the special circumstances of India, free trade would be the best policy for her.

204. *Q.* Will you kindly say what those special circumstances are?

A. The special conditions of India are the absolute need of not falling into line with the ruck of so many protective countries which cannot feed themselves. The position of England with regard to her food supply is one which I personally regard as serious. The position of Japan, you must be aware, is almost equally serious from the point of view of food supply. I think the conditions in India are such that her first necessity is to safeguard her food supply, which I think she will not be able to do if her industries are developed under artificial stimulus.

205. *Q.* Do you think it is not possible for India to be an industrial country simultaneously with growing an adequate supply of food stuffs?

A. Provided her industries are allowed to develop naturally.

206. *Q.* Can you give us an instance of any country which has developed industries without some artificial help?

A. Well, I suppose England.

207. *Q.* Are you quite sure that England was never protected at the commencement?

A. Though she was protected for some time, her great industrial advancement was when she came under the influence of free trade.

208. *Q.* Is it a fact or is it not that she laid the foundation of industrial development partly by adopting a protective tariff and partly through the protection which she secured in consequence of the Napoleonic wars?

A. I am not aware of it. Progress, of course, in English industrialism is largely due to natural factors, the wealth of coal and iron and also the factor of an abominable climate which makes any inhabitant of England cheerfully leave the dark open air for the workshop. You have not the same conditions in India.

209. *Q.* We are not dealing with England alone. We have got other countries that have developed industries.

A. But I do not deny for a moment that you can apply an artificial stimulus and develop anything.

210. *Q.* Do you think it is desirable for India to look forward to a time when she could get all her supplies from her own soil and from her own factories?

A. I do not think it is desirable. No country in the world has done it to my knowledge.

211. *Q.* Is your information to the effect that every country that has developed industrially has lost its food supplies to such an extent as to be dependent for them upon other countries?

A. No. Germany has been to a great extent self-supporting for food, because though she protected her industries she also protected her agrarian interests; and America, owing to her enormous natural resources has not only maintained her food supply sufficient for all the requirements of her industrial population but is also an exporter of food.

212. *Q.* Do you think the same conditions exist in India, so that India can develop her industries with artificial means to begin with and still maintain adequate food supplies.

A. Well, my difficulty with this question is: if you excessively and suddenly stimulate industries by protection, you will do so at the expense of her agrarian interests. For instance, if 80 per cent. of the people live on the land and you put on heavy import duties on manufactured articles and an export duty on food-supplies, the people on the land will have to leave their land and take to industries.

213. *Q.* Do you think that the condition of the 80 per cent. of the people who live on the land is reasonably comfortable?

A. No.

214. *Q.* Then what would you suggest to improve the condition of the agriculturists in order that they may have reasonable comfort?

A. Mitigate their taxation.

215. *Q.* Where is the money to come from?

A. From economy.

216. *Q.* Administration must go on and taxes must be levied: we can only have it from different sections. Do you think it is a matter of practical politics to recommend such a substantial retrenchment in the cost of administration as to allow Government to reduce land revenue?

A. As little as possible should be taken from the people. If the money is allowed to fructify in the hands of private citizens all things are possible. If you simply kill the initiative on the part of the people, Government has got to go wild on its own initiative, which I regard as fatal.

217. *Q.* So far as the Fiscal Commission is concerned, they cannot directly deal with the cost of administration. Do you think it a matter of practical

politics that such an overwhelming amount of retrenchment is possible in the cost of administration as to enable land revenue to be reduced to such an extent as to give the agriculturists a reasonably comfortable life?

A. There goes with the policy of retrenchment, which I look on as essential, also a policy of development. For instance, I had some experience once when I had a share in a farm and I found that what I grew, I made a dead loss on, because the middleman took everything. Now, you have a great agricultural country though it is a very small country, *viz.*, Denmark, where, I understand, the system of co-operation is so well worked that practically as nearly as possible the food prices paid by the consumers are reaped by those who produce the agricultural products, and I think it is undoubted that though Denmark is primarily an agricultural country, it is one of the richest and the most comfortable in Europe.

218. *Q.* Is it an agricultural country to the same extent as India is?

A. I should imagine fully so. It is a matter of organization and retrenchment. You want to tax the man as lightly as possible. You want to enable him, the producer, really to get the price his products are worth. At present he does not get it.

219. *Q.* The middlemen will have to find some other occupation?

A. Yes, certainly something more useful.

220. *Q.* And what would that be? Have you thought about it?

A. I am not concerned with finding the *Bania* a job. He takes from the people a great deal more than his services are worth. I am convinced of that. There are people round here who grow all sorts of garden produce. They do not get 3 annas in the rupee of what the public pay. You might ask Mr. Daryanni of the Harold Mann farm about this. I discussed it with him; when he went into farming, I advised him to open a shop and he did that. I told him otherwise he would be ruined by the middleman. He followed my advice and he opened a shop.

221. *Q.* Then you think that a policy of substantial development of industries is not to the advantage of India?

A. Yes, if you include agriculture. But the methods for industrial development, should be not artificial ones, but natural ones, enabling not only the men to reap what they have sown but also enabling them to get full value for it. In Denmark agricultural co-operation has been reduced to a fine art, and the net result is that the agriculturists prosper and they get the full value of their products. In India it is not the case.

222. *Q.* Then you think that the artificial stimulus or artificial support that has been extended by other civilised countries for the development of their industries is not a wise policy?

A. In England it has led to a disaster in that she can only feed herself for 17 weeks in the year. In Japan it is leading to a disaster. They have a chronic shortage of food in that country; and, of course, Italy is another instance, owing to the development of industrial interests in the north of Italy. You know even before the war, there was no country in which bread riots were more common.

223. *Q.* You say that it has been possible in some countries to develop industries by artificial means side by side with agriculture in order that the country may be self-supporting in regard to food supply. You instance Germany and America. If it is possible in the case of these two countries, why is it not possible in India?

A. Provided you do not lose sight of the claims of agriculture, I do not think it so much matters what you do. But the way in which agriculture has been neglected for years, and people taken from fields and put in factories, is the way of destruction.

224. *Q.* Don't you think side by side with taking these people to the factories, some means could not be adopted by the introduction of scientific means of agriculture to make up the deficit?

A. Of course you have got a certain drawback in India, which is not the case in Japan and America and Germany, that is the chronic famines. Practically once in 10 years, you have a great shortage of food in India, and history shows it.

225. *Q.* That is to say your view would be that industrial development should not be at the expense of the growth of food stuffs in India?

A. Yes.

226. *Q.* In answer to Question No. 15, you state, "There are constant allegations that certain protected countries sell their products cheaper abroad than at home. The mere allegation supports the idea that prices in protected countries are always unfairly high to home consumers, and is a strong argument against protection. I know of no damage done to India by dumping. I should be slow to deprive Indian consumers of the boon of cheap supplies of anything, if such there be. Till the contingency adumbrated comes into operation, I am not prepared to legislate against it. Nor am I prepared by protective legislation to put Indian manufacturers in a position to sell abroad more cheaply than to their own people, as indicated in the question." There seems to be a misunderstanding of the question. What it means is this: it has been noticed (I do not know if it can be proved) that by means of special subsidies, special concessions in the cost of transport in protected countries, they import goods temporarily into an open market like India and unfairly compete with local industries to such an extent that local industries go to the wall, and the consumer is made to pay very heavily for the small temporary concession. Assuming that such facts exist, would you still leave India free to be exploited by all countries?

A. If I may explain, I took a great deal of trouble to find out if there has been any dumping in India and only two possible cases I could find. One was about 15 or 16 years ago when Austrian beet sugar (a strongly protected industry in Austria) was sold cheaper in India than at home. That was the first instance. I have got no means of finding out whether the price at which sugar was sold in India was the real price and whether the price at which it was sold at home was an inflated price for home consumption under protection. The other thing was enamel iron ware. About 12 years ago, Austria had a great command of the Indian market, and also Belgium. They both had a protective system behind them. In this case it is almost impossible to discover which was the true price and whether it represented the price based on the cost of production, *plus* fair profit and expense. I cannot conceive myself any industry in India at the present time or in the future likely to be threatened. It is very difficult to answer such a hypothetical question. I do not suppose anybody is going to give us clothes or food below cost price.

227. *Q.* Don't you think that it would be a far-sighted policy for a particular country to get command of a big market like India at certain immediate sacrifice?

A. I do not think it can possibly be done. I do not see that such a contingency will ever arise. World competition is too great.

228. *Q.* Means of transport play a very important part in prices, don't they?

A. Yes.

229. *Q.* And if a State openly subsidises shipping companies?

A. Inevitably it is at the expense of the general tax-payer.

230. *Q.* But they do not do it to oblige India?

A. My opinion is that it is a very mistaken motive if they think they are enriching their people by taking their money out of their pockets by taxation. I am positive that it is not to the benefit of the people. Of course, you know in countries which do these things, there is an amount of political intrigue and corruption surrounding them.

231 *Q.* What kind of corruption do you refer to?

A. I do not want to create any international complications by mentioning countries, but I can certainly mention three countries, where corruption is rife in the legislature owing to protection. There are all sorts of industrial combines, and that sort of thing.

232. *Q.* They are the elected representatives of the tax-payers?

A. Yes. But how can you ordinarily check a member? There is one member for 10,000 or 20,000 electors. How are they going to check him?

233. *Q.* Public opinion, you do not think, exercises any influence in advanced countries?

A. It is a powerful organization, no doubt, when it gets through. But how often does it get through?

234. *Q.* You state that all the civilised countries which have developed or which have at all events attempted to develop their countries industrially by artificial means, such as protection, etc., have been acting very wrongly and unwisely?

A. Yes.

235. *Q.* And that India in her present condition should remain subject to exploitation by other countries and should not make an effort to try and supply her needs as far as it can reasonably be done by artificial means?

A. No, Sir. I am all out for India trying to supply herself by natural means, but I would like her people to do it. They have done it in the past by means of private energy and initiative and not under the stimulus of Government.

236. *Q.* That is if there was fair competition. But if you found that there was unfair competition with Indian manufactures, you would not even then give some protection against unfair competition?

A. What is unfair competition? I think you are using terms which I do not understand. Take an instance like Austria before the war. Austria before the war had a highly developed system of protection and she was selling goods at home at inflated prices making her own people miserable and poor, as they undoubtedly were before the war, and then cutting in abroad at or below cost price. That is a very bad arrangement for Austria. But she is a back number now. In the olden days, the kron was worth a matter of a shilling. At the present time, I do not know how much it is; it is not worth half a farthing. If she can make entirely from her own natural resources, and if she has not got to import raw materials, you cannot possibly make a scheme against Austria to prevent that competition. England tried to do it against Germany when the mark was 500. The answer was the mark went to 1,200. You put on a duty of 33⅓ per cent. and the mark goes to 1,200; and if they work through the exchange, you cannot possibly stop them.

237. *Q.* Do you think that these conditions are temporary or permanent?

A. I do not think anything is permanent but they are likely to continue for the next 10 or 20 years.

238. *Q* You do not think that normal conditions will return before 10 or 20 years?

A. No.

239. *Q.* Then at the end of that period when normal conditions are reached, do you think that the policy adopted by most of the civilised countries, *viz.*, industrial development by artificial means, would be a sound proposition?

A. My idea would be this. Where conditions are unstable, they should be treated as such and there should be no attempt to build a structure on sand. But when you get stability again, then is the time to reconsider the whole position.

240. *Q.* Then you would not lay down a policy in regard to this matter?

A. No. No fiscal or commercial policy at the present time in any matter at all, except the one policy of economy. I think economy, national and international, is the only thing that will restore stable conditions, on which society can be rebuilt.

241. *Q.* Then you think it is to the advantage of India to remain as far as possible an agricultural country?

A. No. I am not saying that. But what I say is that India should make any development which she can by natural means, by the initiative and energy of her own citizens, and not by artificial means.

242. *Sir Edgar Holberton—Q.* With reference to your answer to Question No. 2, supposing it was necessary to raise more taxation, which we all of us hope will not be the case, you would be in favour of the taxation taking a direct form?

A. Yes, Sir. I think at the present time people with very large incomes in India, compared to the people with small incomes, are not highly taxed. The highest tax any man with an income of lakhs of rupees pay is Re. 0-1-2 income tax and 4 annas as super tax, making a total of Re. 0-5-2 in the rupee.

243. *Q.* As compared to something very different at home. Lots of people pay 10 shillings in the £ and more?

A. It may be; I am not sure about more than 10.

244. *Q.* So, your idea is that if more taxation has to be levied, the people who can least afford it are the cultivators upon whom the stress of an export or even an import tax would eventually fall?

A. Yes.

245. *Q.* With reference to Question No. 9, I gather that you think that all industries can build themselves up; industries that are really necessary for the good of the country can get on without help from Government?

A. In India, Sir, I see no reason to doubt that. Industrial development is only just beginning. All that has been done hitherto, which is considerable, has been done by the initiative of her own sons, without any artificial support, or rather with an artificial drawback in the shape of the excise duty on cloth. Yet they have succeeded and they will succeed. I have got every faith in India and in her people. Why should I burden a man who can walk and even run with a crutch?

246. *Q.* Supposing there were certain industries which could hardly pay in the initial stages of their career.....

A. For instance?

247. *Q.* There was a tanning industry that they attempted to start in Burma, which they thought would pay. The economists and the Government people thought it was an industry which would turn into a profitable one for India and it was obviously not going to succeed in the first few years. Would you not in these circumstances consider that Government would be right in financing it at first? Government attempted to finance it by building a factory, and afterwards they attempted to sell the factory.

A. I do not like your example at all. The tax-payers' money is spent on a fruitless enterprise, and when it fails, they try to plant it on a private individual. If they had done this at first, it would have been much better for the tax-payer.

248. *Q.* I quite agree. Your idea is that if there is an industry which is worth preserving, it is almost certain to be taken up by people?

A. It will find an exploiter. It depends upon the initiative of the people.

249. *Q.* You consider that there should be no fostering at all of any industries, and that industries worth having to the country will naturally build themselves up by the enterprise of the people.

A. I say we are only on the threshold of things in India.

250. *Q.* With reference to the handloom industry (Question No. 16), what I am given to understand is that it creates or finds occupation for cultivators during the off season.

A. Yes.

251. *Q.* As such, you would probably agree that it is a sound industry?

A. Yes.

252. *Q.* But any attempt to push it beyond that and to make it anything in the way of a whole-time industry would be unsound?

A. I think it would be wasteful. If it is worth while to make it a whole-time industry, it is perfectly sound, but if it is not worth while and attempts are made to make it whole-time, then undoubtedly it is an economic waste.

253. *Q.* Then, with reference to your answer to Question No. 30, which gives a complete disapproval of all export duties, jute you say is a monopoly?

A. India provides 94 per cent. of the world's production.

254. *Q.* But like all monopolies, it is in grave danger of being pushed out by other alternatives, if it is over-burdened.

A. I will give you an instance. Originally the carcasses of sheep shipped to England were covered with a light cloth of cotton, a very light fabric indeed. The idea was that otherwise when they were unpacked, the carcasses would stick. When cotton rose in price they substituted jute covers. Owing to the cost of the jute material being higher than the cost of cotton, there has been a tendency to go back to cotton. Australians were very hot about

the export duty on jute. They were very keen to look for a substitute and avoid buying the jute. They told me that they realised that every time they bought jute, they were paying India a tax for that. I had difficulty in making them understand that the duty on tea was in a different category, because it was not a monopoly. Australia gives Indian and Ceylon tea the go-by absolutely; they will not buy, because they think they are paying India and Ceylon a tax.

255. *Q.* The duty is definitely paid by the consumer?

A. Yes. If it is a monopoly, it is a matter of take it or leave it.

256. *Q.* Then the light hearted talk that we sometimes hear of jute being able to bear a considerably enhanced tax is very dangerous?

A. Yes. It is like a shopkeeper, who is the only shopkeeper in a village, saying "I have got the monopoly; I will double my prices." He is in fact inviting competition by so doing. It drives people to try and find other things to take their place. I understand they got very near it at one time in America.

257. *Q.* Even in the simplest of cases like jute, you see a very definite danger?

A. If there is an attempt to abuse the monopoly, then there is danger.

258. *Q.* Rice will not be so dangerous because it is no monopoly?

A. My opinion is that India is on the brink of a shortage of food stuffs and that it is exploiting Burma. Burma will not stand that very long, and if India continues to use her domination over Burma and compels the Burmese to give their rice regardless of the world market price, you will find a strong agitation in Burma for independence.

259. *Q.* In conclusion, Mr. Price, the correspondence you have given the Commission about the export duty on hides and skins is extremely interesting. The export duty on hides and skins was brought in after the war, about September 1919. The primary idea, as far as I can gather, was to foster leather manufacture in India and Burma. Was it not?

A. Yes, Sir.

260. *Q.* Has your experience been that the industries or factories that were built up as a result of that policy have been a success?

A. They have been a catastrophe, Sir. Everybody was too optimistic. I know one tannery started in Calcutta with a capital of £400,000 which lost everything. But the Cawnpore factory was started 25 years ago without any help. That is flourishing still. These new concerns were hit badly with inferior goods in a falling market. You know, Sir, you could not be hit worse than with inferior goods in a falling market.

261. *Q.* Quite apart from the catastrophe, as you may call it, the result of the export duty on hides and skins has been very fatal to the whole trade?

A. It is an extremely complicated position. The thing was like this. At a time when exchange was anything up to half a crown and the scheduled price for hides something like Re. 1-8-0 a pound, a number of Indian shippers consigned a large quantity of hides. Now the fatal point was this. They sent hides worth £1,000. They drew against them at half a crown. They got Rs. 8,000. The hides were sold at home and in many cases they realised only 8*d.* a pound. The consequence was that there was a large re-draft from the people who sold the hides for them at home. That re-draft, which may have been for £600 came back to them at 1*s.* 4*d.* and they had to pay Rs. 9,000 whereas they had originally only Rs. 8,000. They are still liable to pay the 10 per cent. export duty. They cannot pay. The consequence was that Government increased the time limit to two years. Now they have increased it to three years. As a matter of fact the bulk of these goods on which a 10 per cent. duty is still payable, have been sold and consumed in Germany and Spain.

262. *Q.* But apart from this question, it is possible that the quality of the Indian hides is not good for various reasons, largely perhaps by bad flaying upcountry? I suggest that they may command only a limited market.

A. The proportion of the first quality of hides is never higher than 30 per cent. It is less in most cases. Of course everyone wants as much as possible of the first quality. The difficulty of the trade is the large proportion of low quality hides for which there is no market.

263. *Q.* What is being paid now?

A. At the present time Rs. 11 for 28 pounds for the first quality, Rs. 9 for the second quality; and I do not think there is a price for the thirds. They find a dead animal somewhere. The hide is probably taken to a mundi, and from the mundi to the sea port; and this expense against Rs. 11 for 28 pounds does not make it worth while to take them so far. The consequence is that though no doubt there are some sent through the railway, the great bulk of the hides are simply left to rot on the carcase. I understand that Government is unwilling to take off the duty, because they cannot forego the revenue. They expected to get Rs. 100 lakhs out of it. But they won't get anything like what they expect.

264. *Mr. Narottam Morarjee—Q.* You said that in Japan there is food scarcity. Can you compare Japanese conditions with Indian conditions? People in India die like rats during famines. The resisting power of the people is less than that of the Japanese?

A. I do not quite follow you, Sir. The Japanese have also died like flies during famines.

265. *Q.* In times of famine, they were in a position to buy grain at a dear rate, paying high prices. Does not that show that the economic condition of industries helps them to earn money to buy food at higher prices?

A. I do not profess to be an authority on Japanese conditions. As a matter of fact, I understand that the social and political position in Japan owing to industrialism, the rich growing richer and the poor growing poorer, is the most dangerous in the world. People who know the country so tell me.

266. *Q.* You are aware that in Denmark the cultivators get enough for their produce?

A. In Denmark conditions are quite different. India is much poorer than Denmark and the climatic conditions are different. We have to depend on the rainfall. The prosperity of Denmark is, I think, due to a system of co-operation under which all the farmers producing butter collect their butter together and practically get the best price.

267. *Q.* Then would you recommend one of these organisations here?

A. Organisation among the people without a tariff. But what I object to is Government having its finger in every pie.

268. *Q.* You have said that you do not think that any State aid to Indian industries is necessary?

A. No. I do not think so.

269. *Q.* Why did England give an advance to the extent of 3 crores to the Cunard Line for building two ships?

A. I do not apologise for England, but that subsidy was for naval defence purposes. I think England is in a miserable position. I have thought so for years, even before the war.

270. *Sir Montagu Webb—Q.* Mr. Price, I understand that the general drift of your evidence is that you are opposed to any form of artificial protection of Indian industries, on the ground that artificial development is likely to increase the risk of famine to the agricultural people. You stated that you thought that famine would probably occur at regular intervals, say at intervals of 8, 9, 10 years, and that they are likely to be short of food at intervals.

A. If industry develops naturally in India without the aid of artificial stimulus, I do not think it will be at the expense of the agriculturists. You must accept famine as a misfortune. It cannot be avoided. But if industries are unduly developed you are likely to increase the risk of hardship.

271. *Q.* I understand that you do not think that it would be worth while for consumers to contribute a decimal point in order to develop industries. You would not make the agriculturists pay?

A. I am very suspicious of that decimal point: it tends to move to the wrong side of the figure.

272. *Q.* That is not quite a reply to my question. You do not believe in taxing in any degree agricultural and consuming interests in order to encourage the more rapid development of the industrial side?

A. I strongly object to having my pocket picked in order to bolster up an industry. I believe the average tax-payer does too.

273. *Q.* The President asked you if you knew of any countries in which industries have grown up without the aid of a protective tariff, and in your reply you omitted any reference to India. Is it not a fact that the great jute industry of India, and the great cotton industry developed so?

A. I have mentioned already that the jute industry has been developed without any such artificial help.

274. *Q.* Under a tariff of free trade great industries have already been built up and are being built up every day without the aid of any protection at all.

A. I also compared, Sir, if you remember, the stability of that which grew without protection with the instability of that founded on protection.

275. *Q.* I believe that the most out-and-out orthodox free traders admit the infant industry argument. But I gather from the answers that you have already given to this Commission that you do not even go as far as the infant industry argument. You do not admit that?

A. India is the home of raw materials. It is also the home of over 300 million consumers.

276. *Q.* We want to obtain your opinion why in the case of India you do not think even the infant industry argument will apply.

A. Because it has its raw material on the spot.

277. *Q.* John Stuart Mill in his Principles of Political Economy is in favour of the State pioneering infant industries.

A. I think not, I looked it up. But if so I should venture to disagree with him.

278. *Q.* The reason why in India you do not recommend the protection of industries is because the raw materials are ready on the spot and all conditions for manufacture are favourable?

A. The fact that both the raw materials and the markets are side by side is simply a small part of the bigger factor.

279. *Q.* In your reply to Question No. 16 you state that the prices of cotton goods made in this country appear to be based not on the cost of production but on the cost of foreign imports, "for nothing else could explain their really colossal profits since 1915." I gather from that that you mean to imply that where an import tariff exists and import duties are levied, prices to the consumer must be raised; and in practice, they are raised very nearly to the level of the cost of the imported goods?

A. There is always higgling of the market and at certain times, the foreign producer will cut his profit and really bear part of the duty.

280. *Q.* Assuming that a policy of protection was adopted for India, do you think that there would be any difficulty in providing the labour necessary for the new factories that are likely to spring up without depriving agriculture?

A. Where else can you get them from? In the industrial countries they continue taking the people off the soil and training them in factories.

281. *Q.* You mean that if industries are artificially stimulated in the country, it must be at the expense of agriculture?

A. There may be a plethora of labour in certain agricultural centres. There may be difficulty in certain districts owing to insufficient water supply. I should advocate spending money on irrigation.

282. *Q.* In answer to Question No. 3 you urge that as an addition to the existing taxes you would advocate a duty on silver. Will you tell the Commission why you advocate a duty on silver?

A. In my speech on the subject in the Assembly, I more or less covered the whole ground. Mr. Hailey got up and answered me. He answered me to the satisfaction of the House. He did not answer me to my satisfaction. Silver is a particular form of merchandise. This has got nothing to do with the currency question. It is only merchandise. But Mr. Hailey thought that silver is not a luxury and that the poor need to hoard it. He said that it was much better for the people to import silver for hoarding than that rupees should be melted. I differ entirely. If people did only melt or hoard rupees it would be a great relief to the inflated currency at the present time.

283. *Q.* The question was why you consider an import duty necessary?

A. Firstly because of the points mentioned in my speech in the Assembly, and because it is a luxury.

284. *Q.* I want to get exactly what your reasons are for a duty on silver, apart from exchange and currency reasons. That is what we want to get. You have said that it is an article of merchandise and a luxury?

A. I am afraid that the reason that I gave were rather mixed up with the exchange question. My points in connection with that are not merely in connection with fiscal matters but in connection with the balance of trade.

285. *Q.* We want only to take note of your reasons from the tariff point of view. Have you got other reasons either as a means of raising revenue or as a means of influencing imports?

A. If it is considered as a luxury import, I have proved it. But I think Mr. Hailey made a point, which I must categorically deny. He said that China paid for her imports from India in silver. The imports that China takes from India run to crores in a year. Everybody is aware of that. In the current year China shipped to India 23½ lakhs of silver, and they got from India silver worth 19½ lakhs. The balance of silver that we have taken from China is 4 lakhs only. Our shipments to China certainly run into crores. Mr. Hailey says that China pays for her imports in silver. It is nothing of the sort. China, like every other country, pays for her imports with her own products exported. Silver is one of China's staple imports.

286. *Q.* Do you think that an import tariff would interfere with India's trade in silver? People may want to export silver for commercial purposes.

A. I should consider, in case you put an import duty on silver, that the import duty on silver would affect the bullion market.

287. *Q.* Would you consider that those who deal in silver would be justified in asking for a rebate of the import duty when they export silver?

A. Now under the Customs Tariff Act they could always ask for it if they identified the silver.

288. *Q.* Do you consider that an import duty would interfere with the flow of silver to India?

A. I want India to get gold. I hope there will be a fall in silver. I do not care if China is victimised. I have no particular interest in China. But what I object to is India being victimised, as she is at the present time.

289. *Q.* The note that I have got is that you advocate an import duty on silver, because it is merchandise and an article of luxury and you consider it a suitable commodity to bear an import duty?

A. Yes.

290. *Mr. Coyajee*—*Q.* Don't you think that you are too sweeping with regard to the protection of infant industries? Various businesses stand in need of support. Obviously they may require more labour and more material on the one hand and consumers on the other. They may require appliances and other things. There are initial difficulties even when the market is ready?

A. No. Protection does not supply such deficiencies at once, not directly. But it raises the price to the consumer.

291. *Q.* In this free trade régime we find that we have had a few industries that have wonderfully gone ahead but the majority have hung back. There has been a lopsided development of industries in India. Could you help us to explain that?

A. The system of limited liability has got its good points, it has also its bad points. And I think you will find that most of these industries which were started and did not succeed failed because they were not scientifically organised and the organisers did not take good precautions.

292. *Q.* Excuse me, Mr. Price, but why should all good organisers take up cotton and jute?

A. We have the Indo-British Association making all sorts of other things. We have got Tatas and a number of other companies too.

293. *Q.* But you will admit that the progress made is very slow?

A. I certainly think that the progress that India has made during the last 20 years is such that nobody need be discouraged. You cannot do these things in two months.

294. *Q.* As regards Question No. 25, you deal with the effects of protection on exchange. There you argue that when protection comes in exchange would

go high, and therefore the influence of protection would be nullified *pro tanto*. Well, I do not understand that.

A. You take the exchange at the present time and you put a 33⅓ per cent. duty on any goods, representing what seems the finality of your protection. If exchange rises to 2 sh., Mr. Hailey's blessed figure, which is a 50 per cent. rise, so far from your industries having an advantage of 33⅓ per cent. they will be at a disadvantage of 16⅔ per cent. If on account of protection India bought from outside, say wheat from California and Australia, now in that case the balance of trade might be maintained, but if she went on with her ordinary exports and did not import anything, her exchange must rise.

295. *Q*. May I suggest that there are one or two things which might be considered along with this question. Let us analyse the position. Tariff will curtail imports directly, but for some time it will also promote other imports indirectly, *viz*., machinery, as tariff means an inducement to start a lot of industries. Thus for a time we shall be importing machinery and even skilled labour. They will all be imported so as to develop industries. We have to balance this increase in the imports of machinery against the direct loss in the ordinary imports. The effect of protection on exchange will therefore be governed by these two tendencies. We cannot say therefore that exchange might be driven high and therefore *pro tanto* the effects of protection would be nullified.

A. If your object of protection is to make everything yourself and buy practically nothing from outside, exchange would be frightfully high. This is the first point. You suggest that protection will encourage alternative imports in the shape of machinery. My view is that such imports will be a drop in the ocean. Machines will last for many years, and if they do not it would not be worth while to buy them.

296. *Q*. A number of people would try to set up new industries and a great amount of machinery would be imported?

A. You will do all these things in a hurry—import machinery, collect the capital and the workmen. If everybody is going to do it at the same time, it will be very bad. You must do these things gradually.

297. *Q*. For a generation or more, we shall have a counteracting influence on the direct reduction of imports?

A. If India is going to sell outside, she must take alternative imports, otherwise you must close all your ports.

298. *Q*. A time, however, will come when India will consume her own raw materials in her own factories, then, something of what you say might happen. But the stimulus to indirect imports will help to make the rise in exchange a long-drawn process. The movements in exchange cannot be sudden; they must be slow.

A. I would not give an opinion. The fluctuations of exchange this year have been very great.

299. *Q*. Coming from that to the agricultural interests, now, Sir, in what sense is it asserted that protection will develop industries only at the expense of agriculture?

A. What I maintain is that the development of industries, provided it is not artificially stimulated by protection, proceeding normally may benefit agriculture *pari passu;* but the development of industries under protection will not.

300. *Q*. Now, how far would the example of large scale manufactures induced through protection help to create an agrarian revolution just as we had in England? In England, as we know, the industrial revolution was followed by an agrarian revolution.

A. I do not quite follow the idea.

301. *Q*. Would the example of large scale manufactures induced through protection help to induce large scale production in agriculture?

A. I do not think so. Agriculture is much more a field for personal industry and effort and the most prosperous agricultural countries in the world are those which have most efficient peasant proprietors, *i.e*., people who work themselves. I do not think that anywhere it has been found possible to organise combines agriculturally as they have industrially. I do not think there was an agricultural revolution in England.

302. *Q*. Soon after the industrial revolution, large scale farming was undertaken.

A. But large scale farming was given up.

303. *Mr. Seshagiri Ayyer—Q*. I want to ask you certain questions upon agriculture on which you are so very keen. I take it that one of your reasons for saying that agriculture will suffer is that there will be a depletion of agriculturists who will be taken away from agriculture to industrial pursuits, under an artificial stimulus. Don't you know that a large number of people migrate to Ceylon, Fiji, Africa and other places? If there is an industrial pursuit open to them would they not be retained here without detriment to agriculture?

A. Well, I understand that the migration ceased some time back.

304 *Q*. Still there are a large number of Indian emigrants in Ceylon and other places who have migrated and changed their homes. If there is an industrial pursuit and the possibility of employment in this country, and if this emigration ceases, you will find sufficient men to cope with the industries without detriment to agriculture?

A. I quite agree, if industrial development proceeds in a natural way. I think, Sir, you hardly realise what would be the result of a highly artificial stimulus.

305. *Q*. Why should that make a difference? I am now confining your attention purely to the question of the depletion of workmen from agriculture because of the starting of industries.

A. At present the number of people who live on the land are 80 per cent. of the total population, and they produce food for themselves and for the 20 per cent. who do not live on the land. Provided you keep these proportions it does not matter what you do. If, however, you keep only 70 per cent. on the land and keep 30 per cent. on other pursuits, you are taking great risks.

306. *Q*. If these people who have migrated can be induced to come back and work in this country, there will be no depletion of the agricultural population?

A. You mean to say that these people have left India because they could not get sufficient wages here, the same as Englishmen go out to Canada, Australia, South Africa, etc.

307. *Q*. Yes, quite so. They have left India because there is no work for them here.

A. The reason you give for their migrating is not wholly true. A number of men are of a roaming spirit: they have the spirit of adventure.

308. *Q*. I am speaking of Madras.

A. I have met a number of men here and in the north of India who have been all over the world, and they are delighted with their experiences, and I think they send their sons too.

309. *Q*. Of course there are some vagabonds of that kind.

A. They are not vagabonds, Sir. They are decent people.

310. *Q*. A large number of people have left Madras because they could not find sufficient work.

A. It is because your irrigation is backward.

311. *Q*. No. Our irrigation is quite good.

A. I heard Madras members complaining bitterly about lack of funds for irrigation.

312. *Q*. It is because the Government of India would not give us money. If the Government of India gave us money we can construct many more works.

A. My view is, we are now getting to the borderland of safety in the matter of food supply. It is better to spend your money on direct reproductive works and irrigation.

313. *Q*. You suggested that India cannot always depend upon Burma?

A. I do not think you can.

314. *Q*. Don't you know that during the last 10 years the acreage brought under cultivation has been enormously increased in India. Take the Indus scheme and the large number of irrigation schemes in Madras. These irrigation schemes have brought a large number of acres under cultivation. Also if the Sukkur Barrage scheme is completed there will be a large increase in the acreage. Even without looking to Burma, we shall be able to supply our own needs.

A. You have been looking to Burma for the last 20 years.

315. *Q.* So far as my information goes, in my province we only look to Burma in times of scarcity. Having regard to the fact that there are large irrigation schemes, don't you think we will be in a position to supply enough agricultural produce for the needs of India as well as export to other countries?

A. Do not misunderstand me. I am heartily out to help India progress industrially. I do not grudge her industrial expansion. Only I want to see her develop her industries naturally *pari passu* with agricultural expansion.

316. *Q.* You spoke of natural development. Would natural development include a loan of money from Government for starting industries?

A. Well, Sir, the point is this: if Government have a development scheme that is going to pay them 7, 8 or 9 per cent., they do not want to raise the money by taxation; they can raise it by loan. The scheme itself will pay them the interest and something more. The money is not taken from the pockets of the people, but the public benefits thereby.

317. *Q.* The public of Madras is not in a position to start industries unless the Government is in a position to lend money.

A. Well, it is a risky thing to lend your money to industries.

318. *Q.* That has been done before, Mr. Price. Take the case of the tea industry.

A. I think it was in Madras. It has been a dreadful failure. There was a place in the Nilgiris and they had help from the State, and I think it was a failure.

319. *Q.* I am not speaking of the Nilgiris, leave that alone; there is a place in Travancore; they had Government aid and they are flourishing now.

A. Well, Sir, when I have some money I have to be careful in investing it, and I expect Government to be so. I do not want Government to take money from me and lend it to people to start industries.

320. *Q.* Why should not Government pick and select industries and pioneer them?

A. I do not think Government can do that. I do not believe in Government experts.

321. *Q.* I believe you will agree that if a country is industrially strong it will be able to stand famines better than if it is solely dependent upon agriculture. Take the case of Russia. It is not industrially strong, and when there is a famine they are dying in their thousands there. In India when there is a famine people are dying by thousands. If there are industries to which people can turn from agriculture, then there will not be the same decimation of the people.

A. Do you think, Sir, that industrial occupation is such an occasional thing that a man can leave the plough and take to it at once? You cannot take labour from the plough and employ it in the factory straightaway.

322. *Q.* The point of view is this: a famine is partly the result of a shortage of food supplies; it is partly the result of the inability of the people to buy them. We might have a famine at the present time except for the fact that people have the money to buy wheat from outside. There has been a quarter of a million tons of wheat brought from Australia and California. Industries would put money into their pockets.

A. That is true so far as it goes, provided you do not precipitate the famine by taking people from your land. In Australia there is no famine at present. If a famine occurs in Australia and India simultaneously, there will be practically nowhere in the world where you can get your food supply. It is just a mercy of God that Australia has got a good crop.

323. *Q.* Mr. Morarjee quoted the case of Japan. It is because the people of Japan are industrially strong that even if there is a famine they are able to tide it over much better than people in India.

A. I know: but their population is about 60 millions.

324. *Q.* I am putting it to you in this way: that if a country is industrially strong and if there is wealth in the country the famine could be easily tided over.

A. That applies rather to a small country than a great one. If you have a bad enough famine in India, the shortage would be such that the world would not be able to supply it. If there is a shortage in Japan the world might be able to supply it.

325. *Q.* I do not think there has been any period in India when there has been such a wholesale shortage as the world could not supply.

A. The scale of possible shortage in India is far more than it is in England, Italy or Japan, and because this shortage involves greater difficulties it therefore presupposes that you will take more careful precautions.

326. *Q.* If you study the famine history of this country you will find that all these famines have been local, and a famine has been acute because of lack of transport. There has never been a year in which there has been a failure of crops throughout India. Therefore India would be in a much better position than any other country so far as food supply is concerned.

A. I have watched things and my own opinion is that India is now adopting higher standards of living, which though an excellent thing in itself, is gradually impinging on the old exportable surplus limits.

327. *Q.* Japan which is a stronger country industrially is able to withstand a famine, and Russia which is a purely agricultural country is unable to stand a famine.

A. I do not think they are parallel cases, for this reason: Japan after all is a northern country where they have frost and snow. I mean that you get a hardier people where you have winter snow. The people in the Punjab are rather stouter than those in the south. Then in the case of Russia, the present famine in Russia has no parallel. Russia has had smaller famines pretty often. At present you have a social cataclysm and an absolute breakdown of transport and administration. There is no parallel between India and Russia.

328. *Q.* What has that to do with these people being unable to withstand a famine?

A. They are unable to withstand a famine because there is no transport and people there are weakened by several years of Bolshevism. There is absolutely no parallel on earth to Russia.

329. *Q.* It is because Japan is such a strong country industrially that the famines which are occurring in Japan are avoided. Now, if India were strong industrially she would be able to withstand a famine much better than she is able to do at present.

A. My answer is that I do not think that there is the slightest parallel between these countries and India.

330. *Q.* As regards industries, Mr. Price, I understood you to say that the Government should not come to our assistance. Take the case of the industry in oil seeds in the south of India. If the Government assist in the matter of machinery for turning out oil in the same way as it is being done in England and in other countries, there will be one great advantage that the oil cakes would be retained in India and that would supply the manure which is being taken away. Should not the Government in this instance assist by putting a duty on the export of oil seeds, which would make the oil seeds remain in this country?

A. I may point out that the oil industry and its allied industries are one of the most complex and difficult things in the world. In the great oil mills at home, there is no waste at all. Everything is utilised and to do that, you should have not merely perfect machinery in perfect order, but expert skill and very conscientious work. Now, of course, if Government as a sort of fairy godmother could provide not only the machinery, but the skill and the conscientious work, well, no doubt it would be all right. But failing these things, *viz.*, experts, machinery, and conscientious work, I do not think myself that the industry is likely to compete with the more scientific methods elsewhere. Your suggestion is, Sir, that you should give these people their oil seeds a bit cheaper than the rest of the world gets them in order that they may compete with the world. The output of linseed in India is about 900,000 tons per annum. The whole of that at the present time is grown for export, and it has to compete with about 2 to 3 million tons of crop in the Argentine. In such things, it is the bigger crop that sets the market and India has to follow. If the linseed in the Argentine is £20 a ton, India might obtain the same for herself, and if there is an export duty of 10 per cent., it means

that India will only get £18 per ton. The Indian producer will be at a disadvantage of £2 per ton. So long as the linseed is not exported, the £2 sacrifice per ton will go to the industrialist of the oil mill. But it is extremely unlikely that the oil mills would take the whole crop of 900,000 tons. I take it that you are putting an export duty of £2 per ton. That is 10 per cent. 100,000 tons of that is manufactured in India and the rest of the 800,000 tons will be exported as before. But look what it is going to cost. The producer has lost £2 a ton on 900,000 tons. That is £1,800,000 in order to benefit the crushers of 100,000 tons. In other words you compel the producer, the grower of oil seeds, to give the crusher not only oil seeds, but to give it free, because his loss works out exactly at £18 a ton on 100,000 tons.

331. *Q.* There is one factor you have omitted, and that is the refuse from the crushing of the oil. That would remain in the country?

A. Is the oil crusher, having got his seed for nothing, going to make any return to the producer? How is he going to? The producers of the oil seeds have lost £1,800,000. You have done all that to benefit the crushers of 100,000 tons. I say it is no proportion.

332. *Q.* Why do you say it is no proportion? So far as the producer is concerned, he is to a certain extent a loser.

A. £2 per ton on 900,000 tons is the difference between prosperity and ruin.

333. *Q.* You say that the retention of the oil seeds in this country is not going to benefit the producer?

A. I certainly say that the crushing of 100,000 tons is not going to benefit the country anything like 2 million pounds.

334. *Q.* The retention of the cake is not going to be a factor?

A. Not to the extent of £2,000,000.

335. *Q.* Would not the price be increased in the importing place and the producer benefit thereby?

A. You mean that the English would kindly pay up the difference in the case of the Indian export. But the price would be regulated by the big crop in the Argentine, which is nearly three times as big as the Indian crop.

336. *Q.* On the illustration given by you are you quite sure that Argentine would be so very philanthropic as not to increase the price itself?

A. The Argentine consists of thousands doing the linseed industry, thousands of cultivators and thousands of merchants and shippers. They are simply busy selling their produce like everybody else. They take very little notice of what others are doing. They want to get the best price they can for their produce.

337. *Q.* If they found that there was an export duty in India?

A. So far as the oil seeds go, my only point is that there is no monopoly in India. I have got the figures for ground nuts in my house. But besides that, there are a number of other nuts and oil seeds that would produce the same thing.

338. *Q.* You mean to say that there will be a substitute for the oil?

A. Yes. The world is a very big place and there are only few monopolies.

339. *Q.* In answer to Sir Montagu Webb, you said that silver is a luxury in this country. Are you quite sure that silver is regarded as a luxury by the poorer classes of people?

A. I put it this way, Sir, that silver bullion is a luxury.

340. *Q.* Even silver bullion is not a luxury.

A. I have seen extraordinary things. During the war a Bombay bankrupt was found to possess several lakhs worth of silver bars in his house and heaven knows for how many years he had it.

341. *Q.* I am speaking of poor people.

A. He was a business man engaged in business on a big scale, and yet he kept these bars of silver worth several lakhs. It is an absolute waste.

342. *Q.* I am speaking of the poorer classes.

A. The same principle runs through. I deprecate the hoarding of silver. It is most wasteful.

343. *Mr. Birla*—*Q.* Mr. Price, I find that we export a large quantity of raw materials to foreign countries and most of it comes back to this country as manufactured goods.

A. I do not know that, Sir. In fact, I should be inclined to say that is not so.

344. *Q.* We export a large quantity of cotton?

A. Yes. It does not come back to India.

345. *Q.* Where do you export it to?

A. It does not come back from Liverpool.

346. *Q.* Still it comes back from Japan?

A. That is the one exception.

347. *Q.* The yarn comes from Japan?

A. Yes.

348. *Q.* Is it not a continuous loss to this country that we have to export raw material and then import manufactured articles? Think of insurance companies, import and export firms, etc. All this means money, and who pays that money?

A. All gain money incidentally in performing a service to the agriculturists, who produce the cotton, and enabling them to get the best price for it. That is their sole function.

349. *Q.* Still they gain money, something should be lost to the country?

A. People work and their functions are perfectly legitimate. They are assisting the producer, the man on the land, to get the best price for his cotton.

350. *Q.* Don't you think, if we were to manufacture our own raw materials in this country, by the labour of this country, by the capital of this country under the management of Indians, it would be a great gain to the country?

A. Yes, certainly.

351. *Q.* You think it should be done as soon as possible?

A. It should be done when the people like to do it. It is not Government's function, much less is it Government's function to take measures towards this end at the expense of the people on the land.

352. *Q.* Your chief objection is that it should not be done under protection?

A. Certainly. What the people can naturally do, I am in favour of their doing.

353. *Q.* You would act according to this argument: I won't feed my child. I will tell him that he has to earn his own livelihood and that I would not feed him because he is not paying me.

A. I am sorry I do not see the slightest parallel between the domestic relation of father to son and that between a state and its members.

354. *Q.* Don't you think that if the industry in the country develops, the country as a whole will prosper—not only the capitalists, but also the poorer classes by providing them with sufficient work in their leisure time, and so on?

A. Exactly, I think prosperity is prosperity.

355. *Q.* Then, what is the objection to protection? I come to the same point again.

A. I am going back upon your own instance. Here is a monstrous thing. A man in Broach grows cotton. A wicked dealer buys it of him, pays freight and insurance and sends it to Japan. They may eventually ship it to Bombay. But whose cotton was it? Not yours, but it belonged to the man who grew it.

356. *Q.* It was India's.

A. It was not India's. It belonged to the grower. I am not going to share everything I have got in this country with everybody else. I put it to you that all these functions that you so severely criticise amount to a co-operative movement in order to give the grower of that cotton the best price that can be obtained. They only ship it to Japan, because Japan pays more than the Bombay mills. If you want to give preference to your own mills you can only do so at the expense of the grower of the cotton, and if you put a 10 per cent. export duty on cotton, that amount comes off not merely the cotton that is exported, but off the whole crop. Is that plain, Sir? It comes off on not merely what you export, but off the whole crop, and it lowers price.

357. *Q.* You do not want to treat this question from the country's point of view, but from the individual point of view?

A. No. The good of the country is the good of the individual of course. What I strongly object to is interference by Government. It is not Government's function, but it is *zoolum*. That sort of thing obtains in Morocco and there nobody has a brass penny. The Sultan interferes in that way.

358. *Q.* Then you think that the prosperity of industry will not in the slightest way benefit the individuals of this country?

A. You benefit me if you hand me a lakh of rupees. I do not see why Government should compel you to do it.

359. *Q.* Since I find you advocate free trade, I would like to read something from a speech by a great statesman of England, Mr. Bonar Law. He once said in the House of Commons "that India knew very well that free trade was not for India's benefit, and that it was mere hypocrisy for Englishmen to say that it was for her benefit." I would like to know what your views are about this remark of Mr. Bonar Law.

A. This is the first time I have heard it. I have got really no opinion. I do not stand up here to defend Mr. Bonar Law. May I just see the passage? (The book from which the passage was read was handed to the witness.) I doubt very much whether this is authentic. They cannot even spell Mr. Bonar Law correctly!

360. *Q.* Assuming that the remark was made by Mr. Bonar Law?

A. I do not know what it means particularly.

361. *Q.* Since you lay great emphasis on the agricultural interests of the country, I would like to read something from the Report on the Indian Constitution by Lord Chelmsford and Mr. Montagu. They say: "The economics of a country, which depends to so great an extent as India on agriculture must be unstable." They say that a country should not rely solely on its agriculture.

A. I am quite at one with you. I have said all along that I want to see India prosper. I want to see the industries of India develop, in a perfectly natural way, but not at the expense of her agriculture. The only thing you think of doing is increasing the industries at the expense of the people on the land. I say that way lies catastrophe.

362. *Q.* My difficulty is this. You admit that if industries prosper, India as a whole will prosper, but at the same time, you say that it will in no way add to the prosperity of the agricultural interests also.

A. It all depends upon the method. If you allow industries and do nothing to stop them, and help the initiative of the people as far as you can, I do not think it will do any harm to agriculture. But if you are going to take artificial measures, I certainly think you will do harm.

363. *Mr. Mant—Q.* In your answer to Question No. 8, you state that an excise duty does raise the price to the consumer.

A. Yes. All taxes on goods are finally paid by the consumer.

364. *Q.* You have also said in answer to one of the questions that the import duty, if manufacturers continue the import, raises the price of Indian made articles practically to the level of the imported article?

A. Yes, I said something like that. Any business man always wants to get the best price he can for his goods. If an import duty is levied, the outside manufacturer has to increase the rate, and the home producer will at once take advantage of it naturally. He is not a fool. His business is to sell his goods as well as possible.

365. *Q.* The general proposition is that prices tend to rise?

A. That is the effect of a tariff.

366. *Q.* If you put an excise duty on that article, does it mean a rise in price to the consumer or is it paid by the manufacturer?

A. As a matter of fact what really happens is this. The local man in some cases has not got goods of quite the same quality. He has therefore to cut the price a bit. No doubt, if there is an excise duty, he has got to meet that and it distinctly lessens his profit.

367. *Q.* Who pays it, the manufacturer, or the consumer?

A. He tries to make a hard bargain. If the import duty fixes the price of cloth, for instance, at Rs. 10, and the price of a somewhat inferior quality of local article is Rs. 9-8-0, if you have an excise duty, it is hard to see how he can raise his price any more.

368. *Q.* My point is that in the case of the 3½ per cent. excise duty, is it not really paid mainly by the mills?

A. It is paid by the mills in this sense. Rs. 9-8-0 provides against the import duty. The 3½ per cent. does not make much difference at the present time. It made a good deal of difference before the war.

369. *Q.* I am merely questioning on the general point of view.

A. If these people manufacture at home they really want to get the business growing and they may not therefore take full advantage of the import prices. They might put their goods on the market a good deal cheaper, and the excise duty prevents them adopting that good course.

370. *Q.* I do not follow altogether your answer to Question 25. Your general argument is that protection would tend to emphasise the fluctuations of exchange. Is that really your argument?

A. Yes. I think it is. At the present time your exchange depends upon a balance between export and import, and in huge things, the proportion is less easily upset than the proportion of two small ones. Say our total trade is £300 million. You are not so easily going to upset the balance as if you reduce the whole trade to 30 millions.

371. *Q.* That is on the assumption that protection would restrict imports?

A. Protection would, of course, obstruct and prevent foreign trade. I think John Stuart Mill lays it down very clearly that protection is an effort at trade prevention, and I agree. The equilibrium of smaller bodies is more easily disturbed. With smaller bodies you would have very violent fluctuations indeed.

372. *Q.* You speak of the exchange fluctuation. Is that likely to be permanent?

A. I think it is going to be so for the next 10 or 20 years, and even then you cannot say whether the mark is finally going to be a penny or what the franc would be. Nobody can say.

373. *Q.* I am referring to the Indian exchange, and I am a little more hopeful than that. This argument will not apply when exchange is stabilised. It is only an argument applying during the temporary period of unstable exchange?

A. You must realise that the exchange is entirely outside the jurisdiction of any Government, but I may point out that in the period when they stabilised exchange up to the war, they did it because the variations were not very great, and they were able to cover bad patches either with Councils or Reverse Councils. This was done in 1908, 1913 and 1914.

374. *Q.* However, you would leave that argument as only applying during the period of unstable exchange?

A. No, Sir, not at all. I say that exchange is outside Government control, except where they make an effort and cover bad patches. They have resources for that. No Government in the world ever had or could have sufficient resources to alter entirely the rate of exchange.

375. *Q.* I am not referring to that. You mean that it would tend to keep exchange unstable?

A. I will give an illustration. You reduce your turn over in foreign trade from 300 millions to 30. Now, there is no doubt about it that the rate of exchange depends upon the balance of imports and exports, and of course when you have a very small trade balance is very easily upset. In fact trade of that dimensions with a country like India would be so absurd that no one could say within a shilling what the rupee would be.

376. *Q.* I ask you whether that argument would apply after exchange was stabilised?

A. My reply is that exchange is never stabilised, and never has been stabilised. You have had a period of stability. But how long did it last? Not 20 years.

377. *Q.* It is a fair period?

A. So far it was not really stabilised, but it was so, because there was no sufficient shock to upset it. There was no such thing as stable exchange. It entirely depends upon any country's balance of trade. Even if things reach such a pitch that gold has to move, there must be a limit to the country's resources, and then something else has to happen.

378. *Q.* Do you think that famines and unemployment will be prevented if the industries of the country grow?

A. No. I know of no industrial country in the world at the present time which has not suffered occasionally from severe unemployment. England and America have been spending incredible sums in dealing with people out of work. We have also had trouble in India. Famine relief is a big financial proposition. You certainly cannot develop industries in India without being prepared for the usual suite; bad trade, work stoppage, people being out of work. You have the whole industrial history of the world to look at.

379. *Q.* You said you were in favour of some development of industries in India. Would not this lead to the same processes?

A. No. I do not think so. I would like industries to develop naturally. I think that under a system of protection there will be a rush of development: more persons going to the industrial centres, with the consequence that you always have congestion and unemployment in particular places when things go wrong. And go wrong they must, at times.

380. *Mr. Jamnadas Dwarkadas*—*Q.* Mr. Price, let us first examine what has been proved by your answers so far. You maintain that you are in favour of India's industrial development but that that development should come naturally, that you are against any kind of protection given by the State, and that your reasons for not giving protection are in the first place that it will be against the interests of the agricultural population which forms about 80 per cent. of the total population of India. I take it that these are your main arguments. Up to the year in which the war broke out, leaving aside the question of import duty raised for revenue purposes, no protection had been given to any Indian industry. What was the condition of India? Was there economic distress?

A. There was continual amelioration of distress and continual development of industries all the time.

381. *Q.* I shall quote to you from the reports of Government officials Sir William Hunter and Hamilton. Have you read these reports?

A. No. I have not.

382. *Q.* They have said :—"India's economic condition is so terrible that half of its agricultural population does not know what it is to have a second meal."

A. What was the date of these reports, Sir?

383. *Q.* I think, 1898. After all 1898 is not far back?

A. But all the same I should believe, quite apart from any reports, from what I have seen with my own eyes in India, that there has been a tremendous improvement.

384. *Q.* They are recorded in the Blue Books of Government. I am not reading to you from my own books. Then again, Lord Salisbury says: "India is being bled white." Coming to recent times, Mr. Gokhale in his speech of 1911 clearly points out that "the fiscal policy of the Government of India, which has been adopted in the interests of Lancashire and not of India, is the darkest spot of the British administration in India."

A. I would not use such strong language in condemning the excise duty.

385. *Q.* I am putting to you the words of men whose opinions really count both in India and in England.

A. In order to affect my opinion?

386. *Q.* I am not doing so.

A. If you don't mind my saying so, I am here to answer questions. Many people hold different views.

387. *Q.* That is what I want to emphasise.

A. I cannot accept those views. You give me authorities. But this is not the sort of way that I take things in. Excuse my saying so.

388. *Q.* Mr. Price, you have expressed an emphatic opinion. I respect your opinion. But I think I have a right to place before you the opinions of leading men who are authorities on this question. I think I am perfectly justified.

A. The difficulty is that I cannot take things in like this.

389. *Q.* You admit, however, the fact that there was economic distress in India even in times when protection was not even thought of?

A. All over the world there was economic distress.

390. *Q.* There was distress in India?

A. Yes. I have seen such distress. It has broken many a home in Europe too.

391. *Q.* Then, the agriculturist, whom I am glad to say you are championing to-day here, was miserable when a system of protection did not prevail?

A. I think he was a good deal more cheerful than the industrial workman. I have seen your people living in the villages those and in the factories in Bombay.

392. *Q.* You are prepared to differ from me if I say that the agricultural population was in a miserable condition?

A. I cannot lay down rules about happiness. I cannot define misery. But I certainly do not suggest that India has been very prosperous before. I think she is more prosperous now than she has been before.

393. *Q.* If the cultivators got good prices for their crops during the war, they benefited; and the whole country benefited industrially.

A. Industry also really began to prosper during the war.

394. *Q.* They prospered because the consumers prospered and could patronise those industries. If protection had been adopted long long ago, during the war, when England could not supply manufactured articles to India, it would have been found possible for India to supply not only itself but other parts of the Empire. Don't you think the country would have benefited much more?

A. My proposition was that the increased prosperity of the country was due to the fact that from 1915 to 1917 producers of things in India got better prices than they got before.

395. *Q.* Would it not have been better if instead of the agriculturists getting better prices, industrialists had had more to dispose of?

A. If you say that if India produced more she would be better off, of course I agree.

396. *Q.* I shall make it clearer to you. Take the case of Japan. It imported large quantities of our cotton for the purpose of manufacturing cloth which it sent back to India. India has got the capacity to grow cotton. If a policy of protection adopted long ago had made it possible forr a larger number of mills to exist in India and if India had paid the same or larger prices for that cotton, and manufactured cloth here instead of exporting the cotton to Japan, would not the gain have been even greater?

A. I have already replied about this.

397. *Q.* Don't you think that the correct way to increase the manufacture of cotton cloth is by putting an export duty on the raw cotton?

A. I do not recommend this duty. What form of protection, Sir, are you talking about? Is it in the direct form of an export duty on cotton? I pointed out that the export duty would cause you to lose much. You would get your cotton below world's prices, and you say that the growers will be benefited.

398. *Q.* Mr. Price, you said that you are in favour of the development of Indian industries naturally. You are not against development?

A. No. I have invested in Indian industrial concerns myself.

399. *Q.* You said that you don't want protection to be given to Indian industries because that will mean unnatural development, and it will do harm.

A. I have gone through this question in many aspects, and I cannot possibly support protection.

400. *Q.* That is your view. There is a school of thought which believes that India should not remain an agricultural country only. In the interests of India that school of thought thinks that her industries should be developed?

A. But I am very anxious that India should not fall behind in agriculture in seeking for industrial development and so look abroad for bread.

401. *Q.* Even if India grows industrially naturally, will you be able to avoid injuring agricultural interests?

A. I have every hope of it. I do not want to see Indian industries taking drugs or agriculture taking sleeping draughts.

402. *Q.* You want growth?

A. Yes. But that growth depends upon the ability and initiative of the people.

403. *Q.* It is only a question of time. You don't want its growth to be quickened?

A. I think its healthy growth should be gradual and certain. It may take a long time, 6 years or 10 years or longer.

404. *Q.* You are in favour of industrial growth. But you do not want it to be faster than you would have. You say that such growth will injure the agricultural interests of the country. But at the same time you want growth. So the only weapon that you would use for allowing India to grow industrially is the people's initiative?

A. I do not merely rely on that. I do not like the doctrine of acceleration. I welcome a perfectly natural growth.

405. *Q.* You are opposed to any direct assistance?

A. I am opposed to all artificial ideas.

406. *Q.* Coming to the question of the silver duty, of which you are a great champion, can you point out to me any country in the world which levies import duty on a metal which is the basis of its currency?

A. I must deny your premises that the basis of our currency is silver.

407. *Q.* You will admit that it is largely the basis of our currency?

A. No. I do not. The silver returns will show Government silver and silver in the hands of the public. I am very anxious to see India really arrive at a gold basis. I think that will do more good than anything else.

408. *Sir Maneckjee Dadabhoy.*—*Q.* I understood from your reply to the President's observations that you are not in favour of protection because you fear that a policy of protection in India will prevent the growth of food stuffs generally.

A. I daresay I said something like that. I am afraid that a policy of protection will distort the natural development of industries in India and be disastrous to agriculture.

409. *Q.* In other words, in your opinion, a policy of protection can only be supported at the expense of the agriculturist?

A. I have no other proposition put before me. I do not know of any other.

410. *Q.* You think it is possible to have a healthy co-ordination between agriculture and industries?

A. I have not been able to think of it myself.

411. *Q.* I will just give you an illustration. Will you admit that America produces three times as much cotton as India produces?

A. Yes, I should think so.

412. *Q.* Perhaps better crops?

A. Yes.

413. *Q.* Do you admit that America produces wheat, barley, maize and other foodstuffs in large quantities?

A. Yes.

414. Q. You will admit also, I dare say, that in America manufacture is on a very extensive scale?

A. Yes.

415. *Q.* I also suppose you will admit that the agricultural industry of the United States does not come in direct conflict with its other industries.

A. I am not so sure of that. You remember the old Bryan-McKinley controversy. Of course there is great prosperity now in America.

416. *Q.* I shall not take the war period. Take the pre-war period. You will admit that there is no conflict of any interest between the agricultural and manufacturing industries in that country?

A. No. When Mrs. Bryan was standing for the Presidency all his interest was in the back country and he stood as a Democrat and the manufacturing interests were represented by, I think, McKinley. The political struggle between Bryan and McKinley represented a conflict between the agricultural and industrial interests. I am not very conversant with American politics: they are very difficult to comprehend. McKinley won the election but gave way and reduced the tariff.

417. *Q.* You won't go to the extent of saying that this conflict has in any way jeopardised the agricultural industry of that place?

A. American agricultural industry has gone ahead enormously. They have a virgin soil, regular rainfall and unlimited mechanical appliances.

418. *Q.* You will also admit that America has protected her industries against foreign competition?

A. Yes.

419. *Q.* Then, will you kindly tell me how will you differentiate the case of America from that of India?

A. America has been equipped as no other country in the world. Of course she had a virgin soil, a hardy race of people and unlimited mechanical appliances and regular rainfall.

420. *Q.* Can these possibilities not be reached in India after some time?

A. I am afraid, regular rainfall, no.

421. *Q.* That might be remedied by irrigation works. America has had scarcity?

A. Yes.

422. *Q.* If the United States has succeeded in establishing *pari passu* both agricultural and manufacturing industries, can you say why India should not thrive?

A. While you are taking it for granted that the whole cause of the prosperity of America is protection, I would take it the other way. The cause of the prosperity of America is due to her people, her climate, the wonderful fertility of the soil and the enormous resources there which are far greater than India has ever had. So far from protection having helped America, I think the other way. Its natural resources far from having developed by a system of protection have developed by a system of grafts under strong protection. God forbid the economic history of the United States should be brought into India.

423. *Q.* America, with all the advantages you have enumerated has developed a system of protection. Don't you think that India with no such advantages has a stronger case for protection?

A. I have not visited America, but I have talked to many and what I gathered is: you have enormous wealth at the top and you have great poverty below. That is the result of the fiscal policy. You won't find any thriving prosperity without great want side by side. You must remember that in the towns of America the poverty of the people is very intense, and there is a danger of that poverty breaking out into Bolshevism.

424. *Q.* I have no fixed ideas: I am only trying to gather information from you. How am I to differentiate India from America?

A. The American tariff system has not really affected the total wealth of the country, but it has affected its disposition because of the grafts that existed under that tariff. Owing to the terrible corruption which everybody knows exists and which is deplored by her own people, a few people have become rich. But the tariff has not affected the total wealth of the country; it has affected only its disposition. Though it is a country with many wealthy millionaires, I think the poverty in her towns is enormous.

425. *Q.* It is the policy adopted by the State that has fostered the industries?

A. The policy of the State has affected the disposition of the wealth, putting it in the hands of the few rather than in the hands of the many. But her prosperity is inevitable on account of the resources of the country.

426. *Q.* You said that in India industries have been started without protection and that there is no need for protection. Do you seriously mean to contend that the industrial progress already made in India is compatible with her area, population and resources?

A. It is a matter of when you start. When did India start?

427. *Q.* You must at least concede that progress has been very slow?

A. After she started her progress has been very rapid. When did she start her cotton industry?

428. *Q.* In 1876.

A. That is not long. When did she start her jute industry?

429. *Q.* I think it was in the sixties, I speak subject to correction. You don't think that the progress has been slow?

A. All progress is slow to start with, but as they go along they accelerate. I think the pace in India is being accelerated.

430. *Q.* I put it to you: if India had at her back a certain amount of moderate protection, you would concede that the progress would have been accelerated?

A. I am perfectly willing to accept that if you have a foolish enough tariff you can prop up any industry, you can make people produce anything.

431. *Q.* Do you think that protection is foolish? Do you know that Great Britain, which is the only country that has not adopted protection, is gradually drifting towards the policy of protection?

A. I know. I laughed at it before. I don't admit that England will adopt protection. England is upset by the war, but she will get back her commonsense.

432. *Q.* Do you know that the House of Commons passed an Act called the Safeguarding of Industries Act 1921?

A. I laughed at it.

433. *Q.* Is that a measure of protection or not?

A. It is a measure of protection and as fatal as possible.

434. *Q.* Do you know that the United States, Canada, Japan and all other countries have also adopted similar measures within the last two years? In your opinion all those nations have lost their heads?

A. Yes.

435. *Q.* Do you think it will be dangerous for us also to lose our heads in this direction?

A. Yes.

436. *Q.* You will admit that this progress in industry at any rate needs acceleration?

A. No. I do not think it needs any artificial acceleration. It is accelerating and it needs no further help.

437. *Q.* Now you were speaking, in answer to the President's question, about dumping. You said you were not aware of any real dumping and you said that you were only aware of two suspected instances of sugar and enamelledware. Do you know that during the war Japan dumped baskets and glassware into India?

A. No.

438. *Q.* Now, in answer to Sir Edgar Holberton's questions you said that there was danger of abusing the monopoly we have in jute. Your reason was that some substitute would be devised or people would adopt other materials, and you gave the instance of frozen meat.

A. My recollection is that I said that they would do their utmost to use jute substitutes or to avoid its use by altering their methods.

439. *Q.* Don't you think that the jute industry has been sufficiently long in this country and that if any substitute could possibly have been invented, it would have been invented long ago?

A. Do you say that there is no future for invention? I think there is.

440. *Q.* Do you admit that the war proved an incentive to invention? The Germans could not invent!

A. They got a substitute.

441. *Q.* But was it a permanent substitute? It was not as cheap as jute.

A. But they had a substitute during the war.

442. *Q.* Was it as cheap? For everything a substitute can be discovered, but the question is whether the substitute will be as cheap.

A. I am not an inventor myself, and so cannot tell you.

443. *Q.* Do you think the present duty on jute is a reasonable duty?

A. We dislike so many duties. I have got no particular opinion about it. I am only anxious that the monopoly should not be abused to turn people hostile to India.

444. *Q.* Do you think that this duty can bear a further enhancement?

A. I am not in a position to answer that.

445. *Q.* Now, you instanced the butter traders making a combination. Do you know of any combination in India to put up prices, to realise high profits?

A. You have misunderstood me. My point was this. Here are a number of butter producers. They make an arrangement that they will pool all their butter and they have a co-operative organisation to sell it. By that means they get about 95 per cent. of the price that the people pay. That is very sound indeed. In countries where there are no such agricultural co-operative associations it often happens that the producers get only 50 per cent. of the prices. But the mere fact of combination does not put up prices. It is a matter of individual initiative. I am not in favour of Government doing everything for everybody. But I am in favour of combination among the people.

446. *Q.* About the question of hides and skins, you have told the Commission that the failure of the concerns was due to their instability, because they were founded on a policy of protection.

A. No, Sir. What I said is this: These people supposing that under the safeguard of protection they could do this thing and that thing, launched out too deep, too foolishly, without taking sufficient care and thought, and thinking that the duty would see them through. As far as I know, all the big tanneries started in Calcutta on the basis of this protection are done for.

447. *Q.* Based on which? Based on this 15 per cent. export duty?

A. Yes.

448. *Q.* Let me take you a step further. You know that for the Empire there is allowed a rebate of two-thirds of the duty?

A. I know the subject fairly well.

449. *Q.* And that that killed the industry?

A. Are you talking of the tanning industry or the export of hides and skins?

450. *Q.* I am talking of the export of hides and skins.

A. The export of hides has not been killed, but it is suffering very badly through Government interference. You take for instance the export duties. The goods are baled up ready for shipment: they have to be hydraulically baled up, as otherwise they would take a large amount of space in the steamers. You have to put them through the custom house. As you are getting a rebate of 10 per cent. they have got to be carefully checked to ensure that they are really buffalo hides and not cow hides, to see whether they are framed or not. The bales may have to be opened, and if so the shipper may miss the steamer.

451. *Q.* I want to know whether this duty has adversely affected trade.

A. Very adversely, Sir. Exports have been considerably reduced.

452. *Q.* Is this reduction of exports due to this rebate being allowed to the Empire? I mean, is it a fact that the rebate has killed our foreign trade and England is not able to buy.

A. No, Sir. England is only an *entrepot*. England does not buy these things for herself. English tanners do not want them. The thing is this. Under the present arrangement you pay an export duty of 15 per cent. and you get a rebate of 10 per cent. if you produce a certificate that they have been tanned within the Empire. The variation between the 5 per cent. and 15 per cent. falls really on the merchant and makes his business impossible.

453. *Q.* I understand that you are not in favour of giving this rebate?

A. If you are going to have an export duty, have a clean thing and be done with it. For instance, I have shipped 100 bales to my friends in London. The cost of these bales is say £5,000. Now, I say to them "If you sell these things to be tanned in England, you need sell them only at £5,000, but if you sell them in France and Germany you will have to recover extra for me the amount of my bond, which will be about Rs. 7,000." But I do not know what francs and what marks I shall want to get in France or Germany to meet Rs. 7,000. When I spoke about this to Sir Thomas Holland, he could not say a word.

454. *Q.* You are not in favour of this 15 per cent. duty?

A. It is very unfair to the producer.

455. *Q.* You admit that the new industries were started on the tacit assurance that this duty will be kept up?

A. Are you going to be bound for all time? I did not start a tannery on Government assurance, and God forbid I should start anything on Government assurance.

456. *Q.* I will put the question to you in this way: assuming that these new industries in India have been started in the belief that this duty would be kept up, would you not regard it as an act of bad faith on the part of the Government to reduce this duty now?

A. The people who gave that assurance, if they gave it at all, must have given it between the armistice, 11th November 1918 and September 1919 and at that

time the Government of India had no right to give a fiscal assurance about that.

457. *Q.* I am speaking of the morality. You have spoken of the producer of the raw material. Would it not be unfair to the men who have sunk large capital on the assurance of Government?

A. In the first place the Government had no right to make a promise, and my experience is that no wise man ever builds on a Government promise. I do not think these men built on it. They started the industry before the duty was imposed.

458. *Q.* You said that India has large resources of raw material. Have you got any scheme of economic development apart from protection?

A. No.

459. *Q.* You have no proposals to place before the Commission?

A. I am here to answer questions on the fiscal policy. I have not any scheme ready at present for economic development, but if you like me to go away and think it over and come back again with some plans which would benefit India materially, I can certainly produce a number of them, but they are not connected with the fiscal question.

460. *Q.* You also said that if you provide labour for factories, agriculture as an industry would be robbed of its labour. Is that so?

A. I did not use the word rob.

461. *Q.* You said "taken away." You are apprehensive of labour being taken away from agriculture?

A. I am apprehensive of nothing if you will leave thing to the natural course. If you force the pace by artificial means, I am apprehensive of everything.

462. *Q.* Can you give us any instance of artificial stimulus?

A. Yes. There is an opportunity for starting a fishing and canning industry at Karachi, but I am myself afraid to put my money into it. If you say to me "Look here, Mr. Price, we think it is a very good thing to start a fishing industry at Karachi. What do you think about it?" I say "It is rather risky." Then you say to me "If you go in for this industry, we will give you 3 lakhs of capital and charge you no interest for five years." This is artificial stimulus.

463. *Q.* Do you admit that the countervailing excise duties on cotton were unfair?

A. I have never condoned the imposition of that excise duty.

464. *Q.* Do you consider that the excise duty ought to be immediately repealed?

A. No, because we cannot afford to give up any tax. You have got to balance the Budget first.

465. *Q.* Assuming that we make a recommendation for the repeal of that duty, would you keep the present import duty of 11 per cent. or would you reduce it?

A. The amount of duty I would charge would be just the minimum that the Budget compels me to charge and nothing more. I have got no other view.

466. *Q.* If the Commission recommends to the Government that the excise duty should be removed, would you at the same time recommend a reduction yourself, if you were in our position, in the import duty of 11 per cent. or would you keep that duty at its present level?

A. I have answered it. My recommendation is to cut all taxation as low as possible.

467. *Q.* In other words to keep it?

A. If the Budget can spare the money, I will cut the whole duty out.

468. Q. You do not think the imposition of a duty on silver would cause a disturbance of trade in India?

A. No. It would do a great deal to stabilise trade and get rid of a big gamble.

469. *Q.* How?

A. You would stop the bullion brokers working. There is no doubt that the bullion brokers do nothing but gamble in silver and exchange. It is notorious.

470. *Q.* Will the imposition of that duty, in your opinion, check the importation of silver?

A. Yes, it will stop the gamble absolutely.

471. Q. To what extent? Can you enlighten us?

A. I do not know what the bazaar requirements of silver are, but the amount of silver imported into Bombay under the duty would be just what the bazaars require.

472. *Q.* You strongly condemn protection. Is the duty on silver a legitimate means of raising revenue without any suspicion of protection?

A. We are not producing silver.

473. *Q.* I mean in other ways. What is your idea? Why do you want an import duty on silver? Would it benefit the country?

A. In the first place you get a certain amount of revenue from a luxury that you do not get now. By means of that money, you might relieve other taxation.

474. *Q.* Would it not lower the world's price of silver?

A. I do not regard the world's price of silver as the particular concern of India.

475 *Q.* Would it not affect the silver currency of China and thus indirectly affect India in her trade relations with China?

A. I am not particularly interested in that. She pays for her imports from India with her own exports. She does not pay in silver.

476. *Q.* It will depreciate the silver currency of China?

A. The silver currency of China is a big thing. It depends on the value of silver.

477. *Q.* What have you got to say regarding the general statement that an import duty on silver means a duty on the savings of the people?

A. As a matter of fact if you put an import duty on silver, automatically the silver already in the country would tend to rise with the amount of duty. As a matter of fact, if you put a duty of 4 annas a tola, it is nothing compared with the fluctuations in price.

478. *Q.* It would not affect the masses?

A. It would not affect the masses, as much as the market affects them.

479. Q. You are aware that a large number of Indians have got their savings in silver?

A. It is a matter of variation of 300 per cent. in price, and what is 4 annas a tola duty compared to that?

480. *Q.* Would not a duty on silver adversely affect the people having silver ornaments and other things?

A. Nothing compared to the fluctuation in the market. People were certainly buying silver even when it was selling at a very prohibitive price. I have never known people stop buying it on account of high prices.

481. *Q.* In your opinion the import duty on silver would not adversely affect the people in the matter of ornaments, etc.

A. No.

482. *Q.* Is the imposition of a duty on silver an obstacle to the establishment of a world market for silver in Bombay?

A. I should welcome such an obstruction. The silver bullion market is one of the worst features of Bombay, because it produces a gamble in exchange. The variations we have had in exchange this year have been very largely due to the variations caused by silver bullion dealers.

483. *Q.* Is that peculiar to Bombay?

A. Yes.

484. *Q.* Is the position the same in other countries?

A. I do not think there is any other country which plays fast and loose with currency and exchange as Bombay does for India.

485. *Q.* You know the genesis of this duty. Why was this duty first imposed?

A. I do not know. I have not even looked into the old debates on the subject.

486. *Q.* You are aware of course that the Government of India have decided now to abandon the policy of supporting exchange by artificial means? Would not a duty on silver be a departure from that policy?

A. Certainly not. The natural way to assist exchange is by import and export. The artificial way is by Mr. Hailey's Reverse Councils.

487. *Q.* You advocate a duty on silver. Would you put this duty on silver on Government account, apart from private interests?

A. No. What is the use of Government paying a duty to Government? It would be simply multiplying book-keeping.

488. *Q.* Why do you advocate a heavy duty on patent medicines?

A. I really thought that this matter might be considered by the Fiscal Commission. It was turned down by the Assembly, because it was considered that it was not the proper place to talk about it at that itme. The whole of India is being flooded with nostrums, and such things, and the people who send these things into India take rupees from the public. Not only will it bring in a revenue, because you cannot stop people selling quack medicines, but it is so simple to apply. You have got such a tax in England, you have all the laws on the subject, so that you need only adopt the wording of the home duty. It would bring you in several lakhs of rupees a year and there is absolutely no difficulty in collecting it.

489. *Sir Montagu Webb.*—*Q.* Sir Maneckjee Dadabhoy asked you, Mr. Price, if there was any play of interests between agriculturists and manufacturers in the United States. Are you aware of the fact that there was friction between the agriculturists and the manufacturers and that the agriculturists insisted on the insertion in the constitution of a clause prohibiting any export duties being put upon the products of the United States?

A. No. But I was aware of the friction at the time of Mr. Bryan's candidature.

490. *Q.* The agricultural prosperity of the States may arise out of the fact that they have no export duties?

A. Certainly, but I did not know that it was unconstitutional.

491. *President*—*Q.* I want to ask a couple of questions in regard to the relation between the industrial development of India as affecting famine conditions and agricultural interests. It is a very important point. You know that famine breaks out in any province. Government starts famine works for giving relief and they keep statistics of the number of people that come on famine relief works. Very small wages are paid for those who come on these works. It has been noticed that in provinces which are industrially developed to a certain extent, the demand for famine works during famine times is very small and that labour finds employment in industries, which minimises the effect of famine on agriculture. Do you know anything at all about it?

A. I am not aware of it.

492. *Q.* If these were the facts, it would support the theory that industrial employment is an advantage in the direction of famine relief?

A. Yes. Even more important than the alleviation of famine is to prevent famine.

493. *Q.* You say, and I think rightly, that 80 per cent. of the people have to live on agriculture. Now, supposing the effect of development of industries was to reduce the 80 per cent. to a smaller figure, would it not be an advantage? Do you think the land can stand the maintenance of 80 per cent. of the population under present conditions? 80 per cent. of the population live on the land and they live in a very poor condition. Is not that a greater burden on the land than the land can afford to bear?

A. 80 per cent. of the people living on the land have to find food for themselves and the 20 per cent. of people in the towns. If you decrease the people on the land to 60 per cent. and increase the people in the towns to 40 per cent., you ask me whether I think that things would be better.

494. *Q.* My first question would be, do you think that agriculture, as it stands at present in India, can support 80 per cent. of agricultural labour only? Would it not be an advantage, as has been observed in famine times, to divert a certain proportion of this agricultural population on to industries in order that those who remain on the land, while producing the same quantity of agricultural produce, afford relief by other employment in industries that they secure?

A. Of course if 60 per cent. of the population living on the land could produce as much as is now produced by 80 per cent. that means to say you have an advantage of taking 20 per cent. of people who are apparently doing nothing now and putting them on to work. That is an excellent arrangement, but I cannot believe from what I know of things in India, that the population on the land, at all events in the North, is redundant. In Sind, we have had cases of people who have not been able to reap a good harvest on account of shortage of labour.

495. *Q.* Statistics tell us that in industrial provinces, famine works are very much less than in other provinces which are not industrial, and that the surplus men find employment in various industrial pursuits, and in that way relieve the pressure on land. If it is possible (it is only an hypothetical question), it would be to the advantage of India?

A. If you can reduce the people on the land without reducing the output, it means that such people become more efficient and it leaves you a margin of such people for other tasks. I quite agree that such would add to the efficiency of India. But I cannot believe myself that 60 per cent. of the people could do the work now done by 80 per cent.

Witness No. 3.

The Chairman, The IMPORT GRAIN MERCHANTS' ASSOCIATION, Karachi.

Written statement dated the 16th November 1921.

496. *Q.* 1. Broadly speaking, this Association favours a policy of protection, especially in respect of certain industries which are not yet so evolved as to withstand competition of imported articles. The imposition of Customs duties will, for the present, serve the purpose of protecting certain Indian industries as well as providing revenue.

497. *Q.* 2. For fresh taxation my Association would prefer an increase in Customs duties to direct taxation.

498. *Q.* 3 and 4. My Association would suggest an increase, both for revenue and protective purposes, in the rate of taxation on imports such as cotton-fabrics, sugar, glassware, perfumery, toilet requisites and generally on luxuries.

499. *Q.* 5. The existing tariff has not in the past proved conducive to the fostering of Indian industries. What India needs is fiscal independence. My Association would strongly support the policy in pursuance of this principle in consultation with the representatives of the people as it would conduce to the industrial development of India.

500. *Q.* 6. No.

501. *Q.* 7. In view of our reply to question 6, no reply is necessary.

502. *Q.* 8. Excise duties are bound to raise the price of the commodity to the consumer.

503. *Q.* 9. Yes.

504. *Q.* 10. The true ideal of India would be to be independent of other countries for her requirements as far as practicable.

505. *Q.* 11. My Association would favour the imposition of protective duties on such imported manufactures as are likely to come into competition with such industries as have been developed and begin to develop in India.

506. *Q.* 12, 13 and 14. See our replies to questions 9, 10 and 11.

507. *Q.* 15. Yes.

508. *Q.* 16. My Association would strongly favour the development of hand industries especially the cotton hand-loom industry.

509. *Q.* 17. There is no likelihood of such danger.

510. *Q.* 18. Yes, some will come. Our attitude towards them would be friendly if no preference is shown to them.

511. *Q.* 19. If such conflicts at all arise, it is difficult to devise a system to counteract it.

512. *Q.* 20. An import duty does lead to a rise in price.

513. *Q.* 21. The rise of price would continue till such time as the industry has fully developed.

514. *Q.* 22. Yes.

515. *Q.* 23. So far as the Indian masses are concerned, the necessaries of life are food and clothing. Their requirements are met by products in India. Protective duties would not adversely affect them.

516. *Q.* 24. Imported articles are for the most part such as the rise of prices in them would not effect the masses. As a rule the increased cost of living results in a rise of wages or salary, though not in all cases adequate to the cost of living.

517. *Q.* 25. A policy of protection on the lines suggested in the foregoing replies would promote the general commercial position and prospects of the country.

518. *Q.* 29. Yes.

519. *Q.* 30. Export duties may be imposed for revenue purposes on such articles the export of which may not be appreciably affected thereby. A due proportion of the revenue so realized should be utilized for promoting irrigation and Indian industries.

520. *Q.* 31. See our reply to No. 30.

521. *Q.* 32. An export duty may be imposed on a raw-material whenever it is found necessary to do so in the interests of any Indian industry.

522. *Q.* 33. In the case of scarcity of food-stuffs, an export duty will not serve the purpose of controlling their export. In such cases an embargo may be laid upon export of such food-stuffs as has recently been done in the case of wheat, except on such grains or Boiled Rice which are not saleable in the producing country.

523. *Q.* 34. No.

524. *Q.* 35 to 42. In the opinion of my Association the sole consideration underlying the principle of protection should be based on what is the best in the interests of the people of India irrespective of the interest of all other countries, the United Kingdom not excepted. My Association are therefore, on general grounds, not favourable to the idea of Imperial Preference.

Oral evidence, Karachi, the 29th November 1921.

Mr. SHOWKATRAI VERHOMAL, Chairman of the Import Grain Merchants' Association, and Mr. ISSARDASS VERANDMAL, represented the Association.

525. *President*—*Q.* You represent the Import Grain Merchants' Association?

A. Yes, Sir.

526. *Q.* That is to say, you represent the Association of those merchants who import grain into Karachi?

A. Quite right.

527. *Q.* In answer to Questions 3 and 4, you say your Association "would suggest an increase, both for revenue and protective purposes, in the rate of taxation on imports such as cotton fabrics, sugar, glassware, perfumery, toilette requisites and generally on luxuries." Is it your intention to suggest that protection should be given in regard to articles of luxury even whether they could be manufactured in India or not?

A. We are concerned with grain only.

528. *Q.* Would you ask for protection for those article which India is able to manufacture or for all articles of luxury?

A. Those articles which are manufactured in India. There is no need for protection of articles which are not manufactured in India.

529. *Q.* In answer to Question No. 19, you say "If such conflicts at all arise, it is difficult to devise a system to counteract it." You think that it would be difficult to find safeguards against such conflicts of interest between producers of raw materials and manufacturers?

A. Yes.

530. *Q.* And those difficulties would not be easily adjustable?

A. They would not be easily adjustable.

531. *Q.* In answer to Question No. 34, you say 'No?'

A. We are concerned mostly with export of grain.

532. *Q.* You would allow free export of raw materials to those countries which protect themselves against Indian industries and manufacture goods out of that very raw material? I will explain my question more fully. It is reported that Germany in order to build up a jute manufacturing industry, allowed the import of raw jute free of duty into Germany and imposed a heavy duty on manufactured jute from India. India, as you know, is a great centre for the manufacture jute. Supposing a country differentiated between the raw material and goods manufactured out of that very raw material and imposed a heavy duty on the manufactured goods in order to develop their own industry by unfair means against the Indian industry, would you still allow our raw material of that particular manufacture to be exported to that country free?

A. No.

533. *Q.* You qualify your answer to that extent?

A. In those circumstances, I do.

534. *Sir Montagu Webb*—*Q.* Can you tell me how many importers your Association includes?

A. About 25 wholesale importers.

535. *Q.* In reply to Question No. 1, you say that your Association favours a policy of protection. Would you explain to the Commission how the grain importers will benefit by a policy of protection?

A. We do not want protection for grain.

536. *Q.* The grain importers will not benefit by that policy?

A. We do not want protection for grain. There should be free export just as before the war. Things are all normal now. The crops are nice in Bengal, Rangoon as well as in Karachi. There is ample food, the price being Rs. 5 to Rs. 6 per maund. There should be no allotment system. Last year we had the allotment system and all the merchants of Sind were ruined. They lost Rs. 60 to Rs. 70 lakhs, which came from poor cultivators, mill owners and merchants, because Government imposed a duty without giving notice. We should at least have six months' notice if Government wish to impose an export duty. When local bodies raise their duties, they give us nine or even twelve months' notice and after all the local bodies raise the duty by one or two pice only.

537. *Q.* In reply to my question as to what advantage the grain importers will secure from a policy of protection I understand that your reply is that you are not in favour of protection. The grain importers do not require any protection?

(*Showkatrai Verhomal.*) Quite so.

(*Issardass Verandmal.*) I am not in favour of an export duty on grain, because while in the rest of India 75 per cent. of the population depend on agriculture, in the province of Sind the whole population depends upon agriculture. It will be a great loss to us if an export duty is imposed. Some time back an export duty was imposed and Government adopted the auction system. The auction system dealt a great blow to the Sind cultivators.

538. *President.* The auction system has nothing to do with the export duty.

(*Showkatrai Verhomal.*) It is something like the export duty.

539. *President.* There were certain countries near India which always depended upon India for food supplies, and the Government of India decided to allow only a certain minimum quantity to be exported. They fixed the quantity. Sale by auction is not the same as the levy of an export duty. It was a different thing altogether.

(*Showkatrai Verhomal.*) On the whole it was revenue to the Government and it came from the

pockets of the cultivators. The merchants of Sind were ruined by the auction system.

540. *President.* You are strongly opposed to the auction system?

(*Showkatrai Verhomal.*) Yes, strongly opposed.

(*Issardass Verandmal.*) When this auction system was introduced it was nothing but an export duty in another form, and dealt a heavy blow on the grain merchants and the cultivators here, because the price of the commodities did not rise in proportion to the export duty imposed; it fell by that proportion, and to that extent the cultivators and the grain merchants suffered here. It might be argued that if an export duty was not imposed in times of famine it would be difficult for the country to obtain food stuffs for its own population. I suggest that it would be possible then to prohibit the export of food stuffs in preference to any export duty.

541. *Sir Montagu Webb.*—That is already here in your answer to Question No. 33.

(*Issardass Verandmal.*) The Commission's duty is mainly to safeguard the interests of the cultivators, and I shall point out how the export duty would deal a blow to the cultivators. It comes about in this way. Suppose there is an export duty of 6 or 7 per cent. The merchant represents to the cultivator that because of the existence of this export duty he loses a good deal, and thus deprives the cultivator of the value to the extent not of 6 or 7 per cent. but to the extent of 14 or 15 per cent. by reduction in price, and so the result always is that the poor cultivator suffers.

542. *Mr. Coyajee.* Have you actually had experience of the agriculturist being adversely affected by the export duty and by a restriction of production in consequence? Can you give an instance in which the agriculturist was badly hit and therefore restricted his production, that is to say, reduced the area under cultivation?

(*Showkatrai Verhomal.*) There are 75 mill owners in Sind and I know all of them suffered heavily when this export duty, this auction system was introduced last year. The Hon. Mr. Bhuto had a certain stock of paddy on hand which was worth Rs. 6 before the duty, and afterwards he had to sell at Rs. 4-4-0 a maund. We saw the Hon'ble Member at Simla and we tried our best to have the duty removed, but we could not succeed.

543. *Q.* What was the actual duty?

A. 50 to 75 per cent.

544. *President—Q.* You are again mixing up the export duty and the auction system, and then you have no information as regards the area under cultivation having been reduced by this policy. You do not know of it?

A. I do not know. But it is likely, Sir, that when prices go down the food stuffs will not be saleable, and then the cultivator will not take the trouble to cultivate.

545. *Mr. Coyajee—Q.* It is a very good suggestion of yours that export duties may be imposed for revenue purposes on such articles the export of which may not be appreciably affected thereby and that a due proportion of the revenue so realised should be utilised for irrigation. Do you make it a sort of general principle that when an export duty is levied on a raw material some or all of the benefits should go to the producers? Why do you say only for promoting irrigation? There might be other classes of Indian industries.

A. Export duty only on such articles the export of which will not be affected.

546. *Q.* Whenever export duties are imposed, according to your reply, you would apply a considerable proportion of the revenue to the benefit of agriculture?

A. Yes.

547. *Q.* It is not the only way. There are other ways also?

A. Yes.

548. *Mr. Seshagiri Ayyer—Q.* You said in the answer to the first question "This Association favours a policy of protection." When you said that you meant so far as the country is concerned a policy of protection is advocated by you. When a question was put by Sir Montagu Webb whether your Association favoured a policy of protection you said "No."

A. We said "No" as regards food grains.

549. *Q.* But generally speaking, for the country you would advocate a policy of protection?

A. We do not mean protection for food grains, Sir.

(*Issardass Verandmal.*) I am not in favour of having an export duty, though I have no objection to an export duty being imposed on articles like cotton for industrial purposes. I am entirely in favour of having an import duty on imported articles even to the extent of 100 to 200 per cent.

550. *Q.* That is what you mean in your answer to Question No. 1.

A. Yes.

551. *Q.* You said if there is a famine, you would rather advise the prohibition of exports and that you are not in favour of an export duty. Now that is, I believe, with reference to Sind alone. You are only speaking for this province and not for any other province?

A. Generally for India and particularly for Sind.

552. *Q.* You know that if an export duty is imposed on food grains there will be a tendency to keep the grains to some extent in this country?

(*Issardass Verandmal.*) That is not so, although you may think so. When the auction system was introduced here the result was that the price fell from Rs. 82 to Rs. 30.

553. *Q.* Supposing there is not a sufficient outturn of crops and there is a famine in Sind, what would you gain by simply prohibiting export? You would not gain anything. There will be famine none the less?

A. There should be transport facilities in India. If there is famine in Sind, we can bring food stuffs from other provinces. If there is famine in other provinces, we can send from Sind.

554. *Mr. Mant.—Q.* I understand that by Import Grain Merchants' Association you mean import by land into Karachi.

(*Showkatrai Verhomal.*) Land as well as by steamer from Calcutta.

555. *Q.* From India. You are not importing from abroad?

A. Rangoon.

556. *Q.* It forms part of India. You really import to Karachi from other parts of India, and you export.

A. This auction system is not good.

557. *Q.* I presume that it had the effect of making grain cheaper for the consumers?

A. But some notice should have been given to the zemindars, merchants, agriculturists and others that Government was going to introduce the system, and that they would safeguard their interests. Government introduced it in April and immediately the duty came into force, and the zemindars, merchants and mill owners were ruined immediately. I can give examples where mill owners lost lakhs and lakhs. This Government profit came from the mill owners, merchants and zemindars.

558. *Q.* Your complaint is that notice not being given injures the agriculturist. How would notice help him? I can see it will help the merchants. But how will it help the agriculturists?

A. If he has to dispose of his goods who will buy them?

559. Q. There is the market rate?

A. If they know that a certain duty is fixed, they will dispose of their goods at a lower price rather than keep them.

560. *Q.* Will they get any higher rates because they were told there was going to be a duty?

A. If six months' notice is given before a duty is imposed, the rate will gradually decrease and not immediately. If a duty is suddenly put on, surely everybody will sell as soon as he can and no one will buy.

561. Q. Where there is consumption, they must buy?

A. No one will buy for export.

562. *Q.* But how will giving notice of duty make the price not go down?

A. Not immediately.

563. *Q.* You said just now that the auction system, which was equivalent to an export duty, depressed the price unfairly to the agriculturists, because the exporter took a good deal more than the duty, and you say that it will be better to have prohibition?

A. Prohibition in case of famine, Sir.

564. *Q.* This system was devised to keep the grain in India and reduce the price to the consumer. You say that it would be better to prohibit exports altogether?

A. There might be free export of a certain minimum quantity.

565. *President.*—*Q.* If you allow free export of certain quantities they will be distributed among a certain number of people and therefore it would be preferential treatment to certain individuals who will make money at the expense of the agriculturist or Government. Would you advocate that?

A. No.

566. *Mr. Mant*—*Q.* The aim of the policy was to restrict export and cheapen grain supplies in this country, and in those conditions you say that it would be better to prohibit exports altogether?

A. I say when there is famine, Sir.

567. *Q.* Total failure of the crop, you mean?

A. When the quantity is such that it cannot be spared.

568. *Q.* I want to know why you think prohibition would be better than an export duty or restrictions of that kind. Under these restrictions if a certain amount was allowed to go out of the country, *primâ facie* prices would not be depressed so much as they would be by prohibition. You say the export duty will injure the agriculturists, but prohibition will injure them still more.

A. Even then certain notice should be given.

569. *Q.* Do you get notice of famine conditions?

A. We do Sir. Sind is dependent on the Indus for water supply, and we will know whether we will have a good crop or not from the supply of water during the crop season.

570. *Q.* Prohibition would depress prices still further than a system of export duty, than limited export under restriction. I ask you why you prefer a system of prohibition. Leave the question of notice.

A. If a certain notice is given there is no objection to an export duty, because merchants can safeguard themselves.

571. *Q.* Can I have an answer to the question why you prefer prohibition? You say in your answer that you prefer a system of total prohibition.

A. We have said, Sir. In case of scarcity of food stuffs. Then there will be no foodstuffs available for export. They will be required for local consumption. But if a certain quantity can be exported there is no objection to an export duty.

572. *Q.* I am afraid I cannot follow you.

573. *Sir Maneckjee Dadabhoy*—*Q.* Answers to Questions 30 to 34 represent the views of your Association regarding the grain trade. Is it not so?

A. Yes.

574. *Q.* And the rest of the questions are answered by you as individuals, as public citizens, I suppose?

A. Those are our general views.

575. *Q.* When you spoke of the hardship caused to cultivators you gave your experience? I understand that your experience is limited to the province of Sind only, is it not?

A. Yes.

576. *Q.* You have no idea as regards other provinces?

A. No.

577. *Q.* In answer to Questions 3 and 4 you have said that you will suggest an increase in the rate of taxation on imports of cotton fabrics. What increase do you recommend, both for revenue and for protective purposes?

A. That I cannot say.

578. *Q.* You are in favour of total prohibition of exports. What will you do with your surplus?

A. I have said total prohibition when there is scarcity.

579. *Q.* Only in times of scarcity, not otherwise?

A. Yes.

(*Mr. Showkatrai Verhomal.*) One thing, Sir, I have to say about this notice. The auction system has done great harm to a large number of people, merchants, mill-owners and zemindars. If a duty is to be imposed we want to be given notice. Kindly take this request into consideration.

(*President.*) We have taken that down.

Witness No. 4.

Mr. R. F. KEELING, Manager, Sind Flour Mill Co., Ltd.

Written statement dated the 19th October 1921.

580. There are decided natural advantages for the flour milling industry in India, the main one is (in normal years) an ample supply of raw material; wheat; and in addition there are reasonably good supplies of fuel for motive power.

The industry is usually considered essential to national security and is in my opinion of substantial importance to the economic prosperity of India; quite apart from the capital employed and the wages paid it directly affects the cost of living of a great mass of the people who subsist mainly on wheat products.

When the exports of flour and other wheat products are good the price of the wheat product, *atta*, mainly consumed in the country is at its lowest, comparative to the cost of wheat. During the present year when there was no export of flour, etc., the cost of *atta* was from annas eight to twelve more per maund (comparative to the cost of wheat) than when flour was being exported.

Any fiscal arrangement which tended to increase the cost of raw material and/or of production would make it more difficult for the industry to compete in outside markets and would react to the detriment of India by increasing the cost of wheat products to consumers here.

The organization and equipment of the industry compares very favourably with that in any other country.

The markets mainly depended on are: Local, Ceylon, Africa, Egypt, Mauritius, Burma and parts of the Far East.

Under ordinary crop conditions there is no outside competition in local markets; elsewhere the main competitors are Australia, America, China and in some places the United Kingdom.

Competing countries at ordinary times have only the advantages which may occur of cheaper or more convenient shipping facilities.

I do not consider that protection is in any way necessary for the flour milling industry; on the other hand it would seem to me that protective duties would affect the interests of the industry adversely by tending to increase the cost of milling machinery and the parts thereof, none of which are manufactured in India.

581. With regard to the questions under Section E these only affect this industry (as already mentioned) in so far as increased duties which might be levied on machinery and parts thereof would increase the cost of the equipment and upkeep of flour mills and consequently increase the cost of production.

Oral evidence, Karachi, the 29th November 1921.

582. *President*—*Q.* You are the manager of the Sind Flour Mill Company, Limited?

A. Yes.

583. *Q.* What do you really mean by this paragraph in your statement: "Any fiscal arrangement which tended to increase the cost of raw material and/or of production would make it more difficult for the industry to compete in outside markets and would react to the detriment of India by increasing the cost of wheat products to consumers here?"

A. I mean to say that anything that causes us to pay more for wheat or for machinery, anything of that description would increase the cost of production.

584. *Q.* In what way? Will the cost of the raw material be increased by any fiscal measures?

A. I do not say by what measures it will be increased.

585. *Q.* You advocate that no import duty should be levied on machinery?

A. Yes.

586. *Q.* You say "Competing countries at ordinary times have only the advantages which may occur of cheaper or more convenient shipping facilities." Has the competition in your trade been sufficient to interfere with the normal growth of your trade?

A. Well, the comparison was made with the war time, when the times were not ordinary and when owing to a short crop conditions in India were such that we were in an impossible position to compete with other countries. That is why I said "in ordinary times." If we had an ample supply of wheat and if the price of wheat in India kept on a level with the world prices, we should be in a position to compete with any one.

587. *Q.* Then, the difference in shipping facilities would not interfere with the natural facilities?

A. It would react in this way. If imports are coming to India there would be shipping facilities for export. If ships are not coming then there would be no facilities for export. Even locally we are at a disadvantage as compared with Bombay. There is more shipping at Bombay and they can compete in different ports where we cannot touch.

588. Q. Then, what shipping facilities would you require which can be had independent of foreign trade, *i.e.*, what shipping facilities can be organised in India?

A. Well, I do not think that shipping facilities can be organised that way. It is merely a balance of trade. They won't run ships solely to take the comparatively small amount of produce that the flour mills will give them.

589. *Q.* If there were Indian shipping companies, would they not be able to give greater facilities than now?

A. That is beyond the reach of an answer at the present time.

590. *Sir Montagu Webb*—*Q.* You write here Mr. Keeling, that any fiscal arrangements which tended to increase the cost of raw material would make it difficult for your industry to flourish. Do I understand from that that you are in favour of free trade?

A. Yes. That is my opinion.

591. *Q.* This Commission has been appointed to make a recommendation to the Government as to fiscal policy most suitable to India. Can you suggest any fiscal arrangement which would benefit the flour milling industry?

A. I cannot suggest any fiscal arrangement which will benefit the flour milling industry. What we want is free markets and free movements of merchandise.

592. *Q.* Do you think that a small export duty on wheat will help you by depressing the price of wheat in this country?

A. If an export duty on wheat were levied, it might possibly have this result; as the wheat could only be sold outside at the world price the local producer would have to accept a lower price and we might benefit by buying wheat at the reduced price.

593. *Q.* Would you recommend an export duty on wheat in order to encourage the milling industry?

A. I do not think we would be justified.

594. *Q.* If it gives you raw material cheaper?

A. I personally would not suggest it. I do not think it would be fair on the producers of the raw material. They would eventually produce less wheat.

595. *Q.* Do you think that if an export duty is put on wheat, it would have the result of diminishing the growth of wheat?

A. Yes.

596. *Q.* Therefore, you think it better not to have an export duty, so as to allow the exporters to get the full benefit of the world price?

A. Yes.

597. *Mr. Coyajee*—*Q.* What proportion of your flour do you export and what proportion do you sell in India?

A. The amount that can be exported is dependent upon the price. Speaking roughly, 50 per cent. of the ordinary production of every mill in India can be exported safely and leave a surplus for consumption in India.

598. *Q.* There is no fear of foreign competition in India?

A. Ordinarily there is ample wheat in India. There is no competition at all.

599. *Q.* Now, it has been asserted very often that unduly heavy railway rates have been hampering the industries in the way of getting raw material. What is your experience in regard to it?

A. We in Karachi have to pay very often heavier railway freights on our raw material than the upcountry millers who get their raw material near at hand.

600. *Q.* The general assertion is that specially lower rates are given to the ports like Karachi, whereas it is the upcountry manufacturers who are handicapped. On the other hand, you now say that it is you who are handicapped?

A. That is the opinion of the flour mills in Karachi. I am only speaking from memory. I have no figures.

601. *Q.* Have you ever discussed the matter with millers elsewhere in India and have you had any chance of comparing notes with them?

A. I have met most of the millers all over India. They complained some years ago that through rates for raw material were cheaper, but I understand that within recent years the rates have been adjusted.

602. *Mr. Seshagirf Ayyer.*—*Q.* I think you said to Sir Montagu Webb that you were in favour of free trade generally. Did I understand you rightly?

A. Yes.

603. *Q.* What reasons have you for favouring free trade? I take it you are only interested in the flour mills?

A. That is my personal opinion. I am speaking only as regards flour mills.

604. *Q.* Have you investigated the question of free trade or protection in a general way?

A. I would not allow myself to speak too generally on it. Speaking generally, our industry would be benefited more by free trade than by protection.

605. *Q.* You cannot say the same with regard to other industries?

A. I do not venture to express any opinion with regard to other industries.

606. *Q.* You said that if there is an export duty it would discourage the growth of wheat. What are your reasons for thinking so?

A. My opinion is this: if a large export duty on wheat were imposed the wheat merchant would not be able to sell his wheat at the world price; the price in India would have to be the world price less the export duty. If there is no export duty he would be able to sell at the world price.

607. *Q.* You said it would discourage the growth of wheat. I want to know what reasons you have for saying so.

A. My reason is that the tendency of the producer would be to produce less food for less price.

608. *Q.* Suppose the export of all foodgrains are taxed. Take the case of a man having a limited number of fields. He grows rice and wheat. He must cultivate either rice or wheat. Is there any reason for thinking that he would grow less wheat than rice?

A. An export duty only on wheat would reduce the quantity of wheat produced. If there is an export duty on all food grains, I think the cultivator would say "I am not getting a reasonable remuneration: I will go to the towns and work in industries." There would then be no export of any food grain.

609. *Q.* Do you say that he will abandon his ancestral calling?

A. Yes.

610. *Q.* Have you any reason for thinking so?

A. You find it to a small extent even now. You have got flour mills in Calcutta, and it is the up-country cultivators who work in the mills there.

611. *Mr. Birla*—*Q.* Supposing we were to impose an export duty on foodstuffs, how will it affect the consumers of India?

A. It would all turn on the total production. It would affect the total production in my opinion.

612. *Q.* Do you think the consumers will be benefited by it?

A. I do not think so.

613. *Q.* Do you think the prices will come down by imposing an export duty?

A. In a year of big crops it might possibly do so, but it might react on future years and prices will not eventually go down.

614. *Q.* If you impose an export duty on wheat, what will the effect be on the market?

A. That would depend absolutely on the quantity of the crop. If a crop were so big that they have got to sell it somehow or other, it will probably bring down the price. But supposing there is a famine year and the prices are very heavy and you impose an export duty of even Rs. 20 per maund, it would not make any difference, because the price ruling in India would be higher than the world price.

615. *Q.* Will it make any difference now?

A. No, because we are not exporting wheat.

616. *Q.* If we had an export duty in ordinary times, what would be the effect on the market?

A. It might bring down the prices, but the eventual result would be to reduce production.

617. *Q.* But that is another question.

A. No. I think that the two go together. You cannot take the effect of it for one year and leave out of consideration the result in the next year.

618. *Q.* If the prices come down, the consumer will benefit?

A. The industrial consumer will benefit, but I do not think it will benefit the agricultural consumer. I do not even think that the industrial consumer will be benefited eventually. If there is a large crop, the prices would come down for a while, but eventually the result would be the production of the next season would not be big enough to bring down the price, and there would not be much left for export.

619. *Mr. Mant*—*Q.* You mention here that when the exports of flour and other wheat products are good, the price of the wheat product, *atta*, is at its lowest and that when export is small it is at its highest. Can you explain what causes that?

A. When there is a large export of wheat our flour mills run at full speed, and we can therefore sell the wheat products cheaper. When there is sufficient wheat and the prices compare favourably with the world price, we are in a position to compete outside.

620. *Q.* Do you manufacture *atta*?

A. Yes. When the mill industry is running at reasonably full time, they would produce approximately 50 to 60 per cent. of flour and 40 to 50 per cent. of *atta* and bran. If the mills are running full time, the cost of production is reduced and as higher prices are realised for the flour the cost of the residue, bran and *atta*, are much reduced.

621. *Q.* That is in your large mills?

A. Yes. In all commercial mills the result is exactly the same.

622. *Q.* There is a large amount of *atta* consumed in the country. What proportion do you say you make in your large mills?

A. Probably about 30 per cent. The milling capacity of the country is about 50 per cent. in the ports and 50 per cent. inland.

623. *Q.* Does your argument apply to the small mills also?

A. Not to the same extent. It is simply a matter of large scale production. The port mills are run at higher cost.

624. *Q.* I understand you are importing Australian wheat. Are your port mills using it?

A. We have been using it sometime.

625. *Q.* Dealing with the question of protection, you said that protective duties would affect the industry only adversely by tending to increase the cost of milling machinery. I suppose it would also affect your industry if it tended to increase the cost of living in the country and the wages in your mills?

A. When I said cost of production, I meant cost of machinery and cost of labour.

626. *Q.* You mean that any policy which tended to increase the cost of living would increase the cost of labour and thus handicap your industry?

A. Yes. Wages would naturally come under the cost of production.

627. *Mr. Jamnadas Dwarkadas*—*Q.* Are there many flour mills in Karachi?

A. There are only three commercial power mills.

628. *Q.* In other parts of Sind?

A. There are two other commercial mills.

629. *Q.* In answer to a question you said that the Bombay flour mills are at an advantage over you inasmuch as they got greater facilities for export.

A. You have not quoted my answer correctly. I said "by reason of the fact that they have got better shipping facilities."

630. *Q.* You have not got those shipping facilities?

A. We have not got those facilities.

631. *Q.* Don't you think that if there were Indian shipping companies in existence they would be quite willing to take your business in hand?

A. I should be very pleased if we had better shipping facilities. I am not concerned as to who carries it as long as it is carried by reliable men.

632. *Q.* The bigger companies would not carry your products. If there are smaller shipping companies it would be an advantage to you?

A. It might be.

633. *Q.* In answer to Mr. Birla you said that an export duty would not have ultimately the tendency to bring down prices because it would reduce production and thus bring the prices to the same level again. What would you do in times of famine?

A. I do not quite understand you.

634. *Q.* Suppose there is not enough wheat in the country: would you then prohibit export rather than have an export duty?

A. It would not be necessary, because if there is not enough wheat to go out, the price automatically goes up so high that it is impossible to export it. The people outside would not pay the exorbitant price.

635. *Q.* Suppose a nominal duty is put on food supply. Don't you think it would not affect export?

A. I do not think a nominal duty will affect the trade.

636. *Q.* Your experience is limited to the flour mill industry alone?

A. Yes.

637. *Q.* So, when you said in answer to Sir Montagu Webb that you were against protection, I understood you to say that you did not want the flour-mill industry to be protected. You have not made a special study of other industries and you are not in a position to say that other industries will not benefit by it?

A. Yes.

638. *Q.* Your flour mills have paid large dividends in normal times. What dividends do you generally get?

A. For a number of years it paid about 5 to 10 per cent. During the war it went up to about 25 per cent.

639. *Q.* So, in your opinion a moderate export duty on wheat will not affect the flour mill industry in any way?

A. I said it will not at present.

640. *Q.* In your reply you said that a duty on wheat would tend to increase the cost of the milling industry.

A. I did not say anything about the duty on wheat. See the last but one paragraph of my reply. "Protective duties would affect the interests of the industry adversely by tending to increase the cost of milling machinery."

641. *Q.* Will you please explain how the duty on machinery will increase the cost of production in the milling industry?

A. If we pay more for the upkeep of the machinery, surely it would increase the cost of production.

642. *Sir Maneckjee Dadhaboy*—*Q.* I understood from your answer to the President's question that you do not want any duty to be imposed on any machinery imported from England. Am I correct in that assumption?

A. That is putting it rather broadly. I do not venture to suggest to Government that they should not have any duty for revenue purposes, but I do say here that any duties imposed for fiscal purposes would tend to increase the cost.

643. *Q.* Do you want the duty on machinery to be kept or removed?

A. We should be very glad if you remove it, but we do not venture to say so. That is a matter for Government to decide.

644. *Q.* Have you worked out figures as to how it affects the industry?

A. I could not do that until the suggested duties are put before me.

645. *Q.* You say an export duty would discourage the production of wheat?

A. That was my opinion.

646. *Q.* What is your ground? Have you got any experience of the rice milling industry?

A. I have seen a little of it; I have no experience.

647. *Q.* Do you know that there is a small export duty on rice?

A. I have heard that there is.

648. *Q.* Do you think the export duty on rice has affected the rice milling industry?

A. I do not think so.

649. *Sir Edgar Holberton*—*Q.* Mr. Keeling, in the course of your replies to Mr. Seshagiri Ayyar, the point arose that an export duty on wheat would be likely to reduce the cultivation of wheat. The point was then developed, that if there was an export duty on all food stuffs, then that effect disappears. But would there not be the danger of some of the cultivators of grain leaving it and going in for other things like cotton, etc.?

A. I certainly think so; although I did not say so, that was the idea in my mind.

650. *Q.* There would be some risk of the land remaining under cultivation ceasing to produce food stuffs?

A. Certainly.

651. *President*—*Q.* Don't you think in that case it will depend on the world price of cotton as compared to food prices? Agriculturists would naturally go in for the cultivation of that article which pays them best?

A. Undoubtedly. In the same way as everybody would do.

Witness No. 5.

Mr. C. H. KOPELAND, (of Messrs. Louis Dreyfus & Co., Karachi.)

Written statement dated the 21st November 1921.

652. *Q.* 61. Grain and oil-seeds to European countries.

653. *Q.* 62. No.

654. *Q.* 63. Except for revenue purposes am not in favour of any export duties.

655. *Q.* 64. Not to my knowledge.

656. *Q.* 65. No.

657. *Q.* 66. If imports of Indian produce to the United Kingdom or Canada or New Zealand paid a lower import duty than is levied on similar articles from other countries, the producer in this country would get the benefit of the difference in the duty. In the case of grain and oil-seeds I am not aware that any import duty is levied by the importing countries referred to.

658. *Q.* 67. No.

659. *Q.* 68. The volume of Indian exports in grain and seeds depends solely upon the crops raised in the country and the prices ruling in other producing countries in different parts of the world. Any system of Imperial Preference on imports into this country would have no effect upon the exports of grain and oil-seeds.

660. *Q.* 69. No answer required.

Oral evidence, Karachi, the 29th November 1921.

661. *President*—*Q.* You are interested, Mr. Kopeland, in the export of grain and oil-seeds to European countries?

A. Yes.

662. *Q.* Does your answer to Question No. 66 refer to grain and oil-seeds only, or to other articles also?

A. The answer refers to oil-seeds and grain only.

663. *Q.* That is purely a general opinion, because you go on to state that there is no duty on grain and oil-seeds in any of these countries, so that there can be no direct benefit?

A. Yes.

664. *Q.* It is merely theoretical?

A. Yes.

665. *Q.* The producer in this country would be benefited if the article exported is identically the same as that exported by other countries?

A. Yes.

666. *Q.* Your answer to Question No. 67 is in the negative?

A. Yes.

667. *Q.* Will you please give your reasons for holding that view?

A. The export trade in oil-seeds and grain from India is purely a question of price. If the price of grain is suitable here, the importing countries will buy, if it is not suitable, they will not buy.

668. *Q.* If you read the question, you will see why I ask you to give me your reason. The question is "Do you think that any foreign country whose trade might suffer by a system of Imperial Preference would be able without injury to itself, or would be likely even at the cost of injury to itself, to penalise the Indian export trade to that country? If so, what are the Indian exports that might suffer?" Your answer really is that so far as you can judge grain and oil-seeds are not likely to form part of this preference and that would not affect these particular trades. Is that what you mean?

A. Yes.

669. *Q.* You do not go into the general question?

A. No. I only refer to grain and oil-seeds.

670. *Q.* In your view, these articles are not likely to come within the operation of any such thing?

A. No.

671. *Q.* In your answer to Question No. 68 you are again dealing generally as regards the export of grain and oil-seeds?

A. Yes, and imports of manufactured articles.

672. *Q.* That would have no effect upon your trade?

A. No.

673. *Q.* You think that those countries which would suffer from the consequences of preference would not care to retaliate so far as these two articles are concerned?

A. No.

674. *Sir Edgar Holberton—Q.* Mr. Kopeland, with reference to Question No. 63 you say "except for revenue purposes, am not in favour of any export duties."

Are you speaking generally?

A. Yes, generally.

675. *Q.* You think that the principle of export duties is not one which would be advantageous to India?

A. Yes.

676. *Q.* Could you give us a reason or two?

A. Personally, I do not believe in any duties, except for revenue purposes, any protection either for export or import.

677. *Q.* You believe in free trade?

A. Absolute free trade.

678 *Q.* But you would accept the position that if it is essential for revenue purposes, it might be better to institute export duties, instead of direct taxation?

A. A small export or import duty.

679. *Sir Montagu Webb—Q.* Are you interested in any way in the cultivation of grain or oil-seeds?

A. No.

680. *Q.* You are a merchant, pure and simple, interested in the sale of grain and oil-seeds?

A. Yes.

681. *Q.* This Commission has been appointed to consider whether the present tariff can be drawn up in any better way in the interests of India. Can you make any suggestion by which the trade in grain and oil-seeds could be increased by fiscal legislation? You have already said that you disapprove of export duties. Do you approve or disapprove of import duties or do you think they would affect the export trade?

A: Do you mean import duty on grain?

682. *Q.* I mean import duties generally. Do you think they would affect the export trade in any way?

A. I do not think so.

683. *Q.* Do you think that trade could in any way be encouraged by the imposition of import or export duties?

A. Export of grain and oil-seeds would not be encouraged.

684. Q. What about other articles?

A. No.

685. *Q.* Do you think that trade would be hindered in any way by the imposition of export or import duties?

A. If high import and export duties were adopted trade would certainly be hindered.

686. *Q.* I mean on all articles, exports of grain and all imports. Do you think the imposition of duties would in any way hamper trade?

A. Yes if the duties were at all high.

687. Q. Do you think if you had an export duty it would hamper the export trade?

A. It depends on whether the duty is found to be prohibitive. If it is prohibitive, naturally goods cannot be exported, and they could not compete with similar goods in other parts of the world.

688. *Q.* Supposing it was not a prohibitive duty, do you think a small export or import duty would affect it?

A. The effect would simply be that the producer in this country will get a lower price. The export duty would be deducted from the prices paid here.

689. *Q.* Do you think it would be an advantage to industrial enterprise in this country to be able to buy raw products at a lower price? Oil mills, flour mills, and others?

A. I do not think there will be very much advantage to them, because they cannot compete in the markets at home, not to any great extent anyhow. You cannot export flour and sell it in Europe.

690. *Q.* You don't think it would be any advantage to industries in this country to be able to buy their raw products at a lower price?

A. It would be a small advantage.

691. *Q.* What I am endeavouring to get at is whether you would recommend export duties with the object of encouraging the growth of Indian industries in this country. Would it be a wise policy? This Commission is asked to make recommendations and what I am asking you is supposing one of the recommendations was a 25 per cent. export duty on all products of this country with the hope of encouraging industrial development in this country do you think that would be sound policy? Do you think it would have that effect?

A. It certainly would encourage the production of manufactured articles, but I do not think these manufactured articles could compete in outside markets and the cultivator would suffer to the advantage of the manufacturer.

692. *Q.* Do you think it would have any effect upon the growth of the products if their price were reduced?

A. Certainly production will be decreased.

693. *Q.* Would that be to the general benefit of the country?

A. No.

694. *Q.* What is your view? Do you think it would be better not to put on an export duty with the object of encouraging local industries?

A. Yes. My view is that it is better not to put on an export duty.

695. *Q.* What is your reason?

A. If you put on export duties, prices in this country will be correspondingly lower, and the lower the price gets, the less the production. Indian can only become wealthy if she exports large quantities of produce.

696. *Q.* Then your idea is that it is better not to levy an export duty, because it might lower prices in India and thereby reduce production. That is your general conclusion?

A. Yes.

697. *Mr. Seshagiri Ayyer—Q.* In answer to Sir Edgar Holberton, you said that you are generally in favour of free trade?

A. Yes.

698. *Q.* Have you studied the history of the United States and of Germany?

A. No.

699. *Q.* You have not noticed how protection has considerably tended to promote the industries in these countries?

A. The United States is a country which is self-producing in the matter of everything she requires.

700. *Q.* So is India to a great extent?

A. No, India has to import manufactured articles.

701. *Q.* So alo has Germany?

A. No. Germany has to import cotton.

702. *Q.* Even with these limitations, industries were promoted in Germany, the United States, France, and Canada, by the imposition of protective duties?

A. Yes, that is true.

703. *Q.* Then you have no reason for saying that you are in favour of free trade?

A. On the other hand, look at England.

704. *Q.* Even in England there was protection?

A. Yes, in the initial stage.

705. *Q.* If in the initial stage, protection is necessary even in highly developed states, don't you think that industries in India should also be protected in the initial stages?

A. It is a very difficult question to answer.

706. *Q.* That is the history of the world?

A. It is.

707. *Mr. Mant—Q.* I understand that in your opinion the production of wheat in this country was diminished by the action of Government in restricting prices. Do you attribute the present shortage of wheat to that?

A. No. That is caused by bad seasons.

708. *Q.* You mean other crops were substituted for wheat?

A. Yes.

709. *Q.* Even if there had not been restriction of price, do you consider there would have been any very great increase in the outturn of wheat in the last two seasons?

A. No. The seasons were all against wheat.

710. *Q.* What firm do you represent?

A. Louis Dreyfus and Co.

711. *Q.* Can you kindly tell us what other countries compete with us in the various commodities? For instance, wheat and oil-seeds.

A. Wheat you have from the United States of America, South America, Canada, Australia, Roumania.

712. *Q.* The question of export duty has been raised. What I want to know is whether, if there is effective competition, an export duty will to a considerable extent adversely affect the trade?

A. Yes, it would affect the trade.

713. *Q.* Has India a monopoly in certain things, say oil-seeds?

A. India has a monopoly in certain oil-seeds, such as some of the finer oil-seeds. But, she has not really a monopoly, if you start thinking.

714. *Q.* Poppy seeds could be replaced by other seeds?

A. Yes.

715. *Q.* Really India has not got a monopoly then?

A. No. The crushing industry at home has become very clever in substituting other oil-seeds directly they find the price of one seed too high. By experimenting they found other substitutes.

716. *Q.* Don't you think that an export duty on oil-seeds would be a rather dangerous thing?

A. Certainly it would tend to lower the prices here.

717. *Q.* And production?

A. Yes. Production would decrease as the prices become lower.

718. *Mr. Jamnadas Dwarakadas*—*Q.* You are not in favour of protection?

A. No.

719. *Q.* Don't you believe that a duty on imported articles would tend to encourage the growth of industries?

A. I do believe that, talking generally.

720. *Q.* What is your reason for saying that you are in favour of free trade, although protection would benefit the country?

A. I am altogether in favour of free trade, because free trade tends to enable the buyer to buy as cheap as possible and sell as dear as possible, and thus ultimately it is better for the people.

721. *Q.* Would it not have the result that the industries of the country would not have an opportunity to grow?

A. If one country can produce something cheap, let them produce it. Let each country produce what it can at the cheapest rates. Some industries will grow and the others must go to the wall.

722. *Q.* You are not in favour of protection to any industries that exist in the country?

A. No.

723. *Sir Maneckjee Dadhaboy*—*Q.* Your experience is mainly confined to grain and oil-seeds?

A. Yes.

724. *Q.* You have not specially considered the effect of the policy of protection or free trade on the industry of the country?

A. No.

725. *Q.* In answer to Sir Montagu Webb, you said you do not favour an export duty generally, as that duty would lower the price and reduce production generally?

A. Yes.

726. *Q.* You are not against an export duty for revenue purposes?

A. No.

727. *Q.* You are not in favour of import duties?

A. No. I am not in favour of any duty, export or import.

728. *Q.* How would you get the revenue for the State?

A. Except in cases of a small duty for revenue purposes, when it is absolutely necessary.

729. *President*—*Q.* May I ask you one question Mr. Kopeland. You have been asked generally on the question of free trade and protection. Will you please tell me why you did not in your written statement give an answer to Question No. 1? The question is "Do you generally favour a policy of free trade or protection? If the former, have you any objection to the imposition of customs duties for the purpose of obtaining revenue?

A. I only answered questions under D.

730. *Q.* From that I inferred that you had no definite views on other aspects of the question, excepting the one which you dealt with in your written statement.

A. No. I merely answered questions under D.

731. *Q.* Because you did not give any answers to other questions, I inferred that you had no definite views in regard to these questions and that you were merely interested in that part of the questionnaire which dealt with your own trade, and to which you gave a written reply.

A. It is not so.

732. *Q.* Why didn't you give replies to other questions?

A. Because I was only asked to reply to these questions. I was asked by the Chamber of Commerce to reply to questions under D.

733. *Q.* You did not get any invitation from the Commissioner to give evidence?

A. No.

734. *Q.* You were asked by the Chamber of Commerce to give evidence?

A. Yes.

735. *Q.* You hold the view that the best policy for India is free trade?

A. I think so.

736. *Q.* And your reasons are that the consumer should get the articles as cheap as possible and that India should buy in the cheapest and sell in the dearest markets?

A. That is correct.

737. *Q.* Do you know why almost all the civilised countries in the world have adopted the principle of protection? If it is so advantageous to buy in the cheapest and sell in the dearest markets why is it that almost all the civilised countries in the world have adopted a policy of protection?

A. I presume they adopted protection in order to benefit certain individuals and people in general have to pay higher for everything they consume.

738. *Q.* Then you think that protection secures benefits to those countries that adopt that policy?

A. It benefits certain individuals in those countries.

739. *Q.* If a country as a whole adopts that policy (and almost all the civilised countries have adopted it), then it must be to the general benefit of the country?

A. It is a difficult question for me to answer.

740. *Q.* May I put it to you in this way? Assuming for argument's sake that every civilised country in the world works on the principles of protection, would you still advocate that India alone should work on the principles of free trade?

A. Yes. India being an agricultural country should adopt a policy which would enable her to realise the highest of prices possible for her produce and buy her manufactured requirements as cheap as possible. She must export more than she imports, otherwise she cannot pay her wages.

741. *Sir Montagu Webb*—*Q.* Have you any experience of the oil crushing industry?

A. I have no personal knowledge.

742. *Q.* You cannot tell us anything about the establishment of oil crushing industries in this country?

A. No.

Witness No. 6.

Professor S. C. SHAHANI, M.L.A., M.A., Principal, D. J. Sind College, Karachi.

Written statement dated the 13th November 1921.

743. *Q.* 1. I favour generally a policy of protection and not of free trade. The poverty of the Indian masses and the recurring misery of famines from which they suffer necessitate an energetic policy of *industrialisation*, which can succeed only under a scheme of protection.

744. *Q.* 2. I consider that a *tariff* in the existing conditions provides a more suitable form of taxation for India than *direct taxation*. Direct taxation with its fairly certain incidence is in theory *preferable* to indirect taxation which is uncertain in its incidence and is usually shifted by the economically strong on to the shoulders of the economically weak. But India maintains a costly administration, and is at present a poor country. Direct taxation in India could not at present yield much revenue, so that it is impossible for India in *practice* to depend entirely on direct taxation. Indirect

taxation in India is largely a matter of necessity rather than of choice.

If *fresh taxation* were necessary I would in the existing circumstances prefer an increase in customs to an increase in direct taxation.

745. *Q.* 3. I would suggest the following *changes* in the list of articles taxed and in the rate of taxation :—

Machinery to be free; export duty on rice and jute to be enhanced; a new export duty of, say, 3 annas per maund to be imposed on wheat, oilseeds and cotton; and if a large increase of revenue were needed the general rate might be raised 15 to 17 per cent. *ad valorem.*

746. *Q.* 4. I do not consider that the tariff should continue to be based on existing principles. It should be based *primarily* on considerations of the *interests of the country*, but it may be modified with a view to securing the needed revenue. I have already pointed out that I prefer a protective tariff to a revenue tariff in India.

747. *Q.* 5. I consider that the existing tariff policy has had the *effect* of strangling or stunting the Indian industries in the past, and I anticipate the same effect from a continuance of this policy in the future. Foreign competition has made India a mere producer of food and raw material for foreign industries. Continuance of the policy would greatly handicap the industralization of the country on which her economic salvation depends.

748. *Q.* 6. When a duty is imposed on an article imported from abroad I do not approve in theory or in practice of imposing an *excise* duty on the same article manufactured in India. Countervailing excise duties on home made goods are peculiar, so far as I see, to India alone. Excise duties are, in my opinion, to be endured only on the score of urgent *revenue* requirements which cannot be met otherwise.

749. *Q.* 7. I could never favour the imposition of excise duties on the alleged ground because I believe that protection of some kind should be afforded to the home manufacturer as against the foreign manufacturer. Excise duties, as I have already said, are to be endured from revenue considerations and not as countervailing excise duties imposed in the interests of the so-called free trade.

750. *Q.* 8. Excise duties cannot as a rule be imposed without raising the price to the consumer.

751. *Q.* 9. I consider that the tariff should be framed primarily with the object of *fostering Indian industries.* The advantages anticipated from the industrialization of India which a policy of protection will make possible may be explained thus :—

(*a*) The industrialization of India will make possible the solution of the problem of *famine*, which is a standing disgrace to India. At present about 75 per cent. of the Indian population is dependent on agriculture and is therefore exposed to recurring famines with all their attendant misery from disease and slow death by starvation. The establishment of industries will provide at least a portion of this population with subsidiary industries, which will make them independent of the rains and the rivers, which will make their lives in normal years somewhat happier and which will in times of famine keep them from the jaws of death. No greater good to a country could be imagined. A very special emphasis is to be laid on this peculiar aspect of the industrial problem of India, which is not a problem of profit and riches but one of life and death to the great bulk of the Indians. The necessity of industrializing India as quickly as possible appears to me to be paramount. I would therefore advocate an insistent demand for immediate protection without which Indian industrial development is unimaginable.

(*b*) It will afford requisite scope for the exercise of the varied genius and talent of the Indian people and will induce in them an all-round development.

(*c*) It will promote the utilization and development of India's vast natural resources.

(*d*) It will secure a healthy combination and coordination of agriculture and industry, when each stimulates the other, as in the United States of America.

(*e*) It will make India both rich and great.

(*f*) It will ensure peace or social and political harmony in India in the coming days. If India has hitherto patiently endured the competition of foreign countries, there are now unmistakeable signs that India is becoming self-conscious, and will insist on having its heritage of agriculture, industry and art of livelihood and life.

752. *Q.* 10. I look forward to India becoming *in time* independent of other countries in regard to *all* her requirements of manufactured goods. Nevertheless I consider that there are certain manufactured goods, *e.g.*, machinery (industrial, military and naval), and scientific apparatus, for which she will *for some time*, but not always, be dependent on other countries. It is difficult to think of manufactured goods for which India will always depend on other countries. India is not a country but a continent, rich in natural resources and inhabited by people second to none in intelligence. But development in the case of India is urgently required, which in the existing circumstances protection alone can bring.

753. *Q.* 11. I would, for the purpose of developing Indian industries, favour the imposition of protective duties on some imported manufactures only *and not on all.*

754. *Q.* 12. Since I favour the protection of some industries only, I would select the following to begin with for the protection on the principle that they are all *necessary industries*:—

Cotton, Woollen, Leather, Iron and Steel, Paper and Sugar industries.

The first five are young industries struggling to grow; and the sixth is dwindling.

755. *Q.* 13. I consider it desirable to establish new industries by protection.

Since India is a continent and affords almost all varieties of soil, subsoil and climate the principles on which I would select them would be firstly if they be necessary, and secondly if they cannot be established otherwise than by protection.

Shipbuilding industry may be instanced as being a new industry which is necessary from both economic and political points of view and for the establishment of which direct state interest and assistance are essential.

756. *Q.* 14. I would confine protection to industries which are likely after a period to be able to face foreign competition without protection, and would not contemplate the establishment of industries which would be likely to require continuous assistance. I must however state here that I cannot easily think of any industries which will not in course of time be able to stand on their own legs. India can become self-contained. Bose's scientific apparatus reveal unrivalled scientific knowledge and skill; and if kerosine on a large scale is just now found only in Burma, it appears reasonable to expect that it will be found in several other places in India.

757. *Q.* 15. I would grant special protection against foreign goods favoured by countervailing duties and not by such measures as dumping, bounties, subsidies or transport concessions. [*See 801.*]

758. *Q.* 16. My attitude towards hand industries, and in particular towards the cotton handloom industry, is one of favour, since they will provide sources of supplementary income to agriculturists who, as things are, go without work for a part of the year. I would wish hand industries to be maintained.

759. *Q.* 17. There is no danger, so far as I see, in India at present of protection leading to combination among the protected manufactures in order to maintain a quasi-monopoly price. If there be any hereafter, the safeguards that I would suggest to counteract the effects of such a combination would be—(*a*) the regulation of prices by the State, and (*b*) the limiting of profits by the State.

760. *Q.* 18. I think that, if a protective policy is adopted, it is likely that British or foreign industrial firms will endeavour to establish themselves in India in order to get the benefits of the tariff; and my attitude towards such a movement will be this—that I would have a law passed requiring that the bulk of the share-capital of such foreign industrial firms, say, 75 per cent., should be raised in India.

761. *Q.* 19. In countries under a protective system it does sometimes happen that producers of raw material ask for protection, while manufacturers who use the raw material oppose them, wishing to get their raw material as cheaply as possible. In the same way a demand of

the spinning industry for protection is sometimes opposed by the weaving industry whose interest lies in cheap yarn. I do not think that conflicts of interest of this nature would be likely to arise in India under a protective system, since India is not an importer on a large scale of raw material and since India's present difficulty of foreign yarn is bound to disappear after the transitional stage of India's industrial growth is over. But even if the conflicts arose there should be no difficulty in adjusting them in the light of the general interests of the nation as a whole.

762. *Q.* 20. When an import duty is imposed I do consider that ordinarily the whole or a great part is passed on in a rise of price to the consumer, who in several cases is relatively weak and must have the articles like match boxes or cigarettes on which import duties are imposed.

763. *Q.* 21. If a protective duty causes a rise in price, that rise is not likely to be permanent, if, as I propose, protection is confined to those industries that can stand on their own legs in the long run.

764. *Q.* 22. I would in the larger interests of India be willing to accept an increase in price to the Indian consumer for the sake of developing Indian industries. But, as I have said, a rise in price caused by a protective duty is not likely to be permanent, since protection is to be confined to such industries as will be able to do without it after a period. And India is an organism—a living whole. She will never, without courting disintegration and death, allow opposition of interests to prevail between producers and consumers, who are the same only looked at from different stand-points. Any other view appears to me to be atomic and therefore unscientific and mechanical.

In view of the solid advantages anticipated from the tariff framed primarily with the object of fostering Indian industries (*vide* my answer to question 9) a temporary increase in price should not matter. The gain in productive power will outweigh the inconvenience from a rise in price. The industrialization of India, which will provide a human existence for the millions who at present are living a sub-human life, and which will save them from the clutches of famine, is a matter so vital and so urgent that all other considerations must be made subordinate to it.

765. *Q.* 23. In considering the above question I would have regard to the point whether the protected article was a necessary of life. It is the necessaries of life which every country should try to produce for itself. To depend upon others for necessaries of life is dangerous. If a necessary of life needs to be protected, the method of protection might even be that of a direct subsidy or bounty, which will prevent the price from rising. To give an instance, Indian match industry might be stimulated to grow in the manner suggested.. The chief necessaries of life are generally known. Any rigid classification of necessaries irrespective of the evolution of a people using them will not, in my opinion, be useful.

766. *Q.* 24. I hold that an increase in the tariff rates would temporarily tend to increase the cost of living in India; and I do think that this increased cost would be covered in the long run wholly by a rise in wages or salary for (*a*) the industrial wage-earner, (*b*) the agricultural wage-earner, and (c) the middle classes. Labour in India is beginning to be self-conscious, as is evidenced by strikes in plantations, factories, etc., and any increased cost must soon be covered by a proportionate rise in wages. Salaries will overtake prices somewhat more slowly; but there seems no doubt that they will. We are beginning to hear even of Clerks' Unions.

767. *Q.* 25. I consider that a policy of protection would tend to reduce the foreign trade of India, but that the effect of it on the general commercial position and prospects of the country would not, on that account, be bad. Protection is intended to keep out manufactured goods of foreign countries with a view to fostering Indian industries, which must react on the volume of Indian export trade, consisting mainly of raw materials and food-stuffs. This will not spell ruin for India, as is sometimes imagined. The raw materials heretofore exported will be taken up, in my opinion, by the rising home industries under protection, and the increased purchasing power of the people—a result of industrial activity—will tend to raise their standard of life, and will mean increased consumption of food-stuffs. India will thus have healthier and happier people engaged in a variety of industrial work. Indian producers of raw materials and food-stuffs will thus have exchanged the home market for the foreign one—a decided gain to them, for the home market is ever so much more secure, and renders dealers independent of the ruinous fluctuations of exchange, of which India has had recently such bitter experience. It is, in my opinion, an economic superstition that the prosperity of a country depends on the volume of its foreign trade. The true index of a country's prosperity is the volume of its industrial activity irrespective of the market which it supplies, and there is no doubt that protection will make for greater industrial activity in India.

768. *Q.* 26. I do consider that the existence of a tariff which could be used as an instrument for bargaining with other countries, would be advantageous to India both commercially and politically. India has more or less a position of advantage in that she supplies raw materials which foreigners need for their industries; and she might reasonably go in for political and economic bargaining with those countries which do not treat her well.

769. *Q.* 27. I would recommend the adoption of general and special tariffs, the special being applied to countries from which India receives favourable treatment. Export duties on raw materials and import duties on manufactured goods imported will both help.

770. *Q.* 28. If the tariff is to be used in this way, it would be necessary to make it more detailed than it is at present.

771. *Q.* 29. If a policy of protection were adopted, I would recommend some kind of permanent organisation representing truly Indian interests, for investigating the claims of various industries to protection from time to time and for the periodical readjustment of tariff rates.

772. *Q.* 30. My view of the proper function of export duties is that they may be used (*a*) for revenue purposes, (*b*) for preventing the export of articles needed in India, *e.g.*, wheat when it is selling high in the Indian market, and raw materials required for Indian industries, and (*c*) for bargaining with foreign countries.

773. *Q.* 31. Generally export duties will in my opinion have the effect of dwarfing the export trade. Yet in certain circumstances export duties can be imposed without injury to the trade, *e.g.*, in the case of jute and rice trades in India The effect of an export duty will vary with the nature of the article subjected to it. If the foreign demand is inelastic in the case of any article, an export duty on it will not affect the export trade. The existing duties in rice and jute have not, to my knowledge, injured the export trade in these articles. I believe that these two articles will bear even a much higher duty.

774. *Q.* 32. I do consider it advisable to impose an export duty on a raw material in order to encourage its retention in India for purposes of manufacture. The words " or for any other purpose " appear to me to have been inadvertently used in the question. The instances in which I would recommend such action are—(*a*) cotton, (*b*) wool, (*c*) hides and skins, (*d*) oilseeds. I do not consider that such action would appreciably affect the producers of the raw material and cause a decrease in the amount they would produce.

775. *Q.* 33. I do consider that it would be of advantage to India to impose an export duty on *food-stuffs* with a view to controlling their export and thereby lowering Indian prices and the cost of living. I do not consider that the effects that such action would be likely to have on the agricultural interests and on the quantity of food-stuffs produced in India would be adverse.

776. *Q.* 34. I would consider it advisable to impose an export duty on a raw material in retaliation for an import duty imposed by a foreign country on the manufactured article, provided the raw material so taxed is one of which we have a practical monopoly, *e.g.*, jute, opium, til, for then alone will our action be effective.

777. *Q.* 35. I am on the ground of sentiment favourable to the idea of Imperial Preference. But I do not think that India would be justified in risking any appreciable economic loss for the sake of Imperial Preference. India must consult her pocket first. She is the poorest member of the Empire. And, what is worse, the policy of some of the other parts of the Empire towards her has squeezed much of the requisite sentiment out of her heart. She has by some of them been exploited, despised, insulted, and even kicked out of their lands. But were even the attitude and conduct of the other parts of the Empire better, India would not be justified in view of her poverty, in endangering her economic interests. It will, in the existing circumstances be, in

my opinion, cruel to make to India any proposal of Imperial Preference.

778. *Q.* 36. I would not in the existing circumstances differentiate between the policy to be adopted towards the United Kingdom and towards other parts of the Empire.

779. *Q.* 37. I do anticipate a material loss to India from a system of Imperial Preference. India's cost of living would increase. It is true that protection too would tend to raise the cost of living; but then India would have a compensatory gain in the development of her industries; whereas under Imperial Preference this gain would accrue to the other parts of the Empire. Under protection if Indians suffer as consumers they gain as producers, but under Imperial Preference Indian consumers suffer while producers in other parts of Empire gain.

I do not anticipate a material gain to India from a system of Imperial Preference. Professor Less-Smith has rightly shown that the principal exports of India to the United Kingdom are raw jute, lac, etc., jute manufactures, hides, oilseeds, raw wool, raw cotton, wheat and rice. Now in the case of raw jute and lac India does not want any preference for India has no competitors; in the case of tea India's only rival is Ceylon, and India cannot get preference as against Ceylon for Ceylon is a member of the Empire; in regard to jute manufactures again our only effective rival is Dundee which is within the Empire. Hides, oilseeds, raw wool and raw cotton are all raw materials of English industries, and a substantial rise in their price will not be permitted. Similarly wheat and rice being articles of food, English people will not tolerate a rise in their price. Besides in the case of wheat Canada, Australia and other Colonies will claim the same treatment, being members of the Empire, and there can be no preference against them. "The position of Great Britain is, therefore, this that she cannot offer any fair reciprocal advantage to India without a substantial rise in the price either of raw materials on which some of her important industries depend or of foodstuffs "—a rise of price which English people will not permit. In the case of other parts of the Empire our trade with them is very small. In 1913-14 we exported to them goods worth £17 millions, *i.e.*, only 10 per cent. of our total exports, and imported goods worth less than one million pounds. Imperial Preference will not therefore mean any substantial advantage on either side.

In particular, I do apprehend a likelihood of retaliation against India by foreign countries, *i.e.*, countries outside the Empire. Indian export trade to such countries in 1913-14 was worth £107½ millions, or 66 per cent. of the total Indian exports, which shows that our largest customers are foreigners. It is true that in respect of about 30 per cent. of our export to these countries our position is one of advantage for we have a practical monopoly in things like jute, lac, opium, indigo, etc., and a less complete monopoly in rice, hides and skins, oilseeds, spices, chemicals, etc., but yet in respect of the remaining two-thirds of our exports to these places we stand in danger of being hit. On this subject the Government of India in 1903 wrote to the Secretary of State as follows :—

"Imperial Preference would involve India in tariff wars with foreign nations, and the set-back to our trade, our revenues and our credit would immensely outweigh any benefit that we might reasonably expect from the most unconditional surrender of our opponents in the war of tariff. We cannot sufficiently impress this danger on your attention. Even if the chances of success were greater than we conceive them to be, we hold that the certain cost of war, and the several penalties of defeat would be too heavy a price to pay." These remarks are as true to-day as they were 18 years ago.

What India needs and wants is Protection for her industries, and not Imperial Preference, which means protection of Great Britain in Indian market at great cost to India.

780. *Q.* 38. I am not in favour of preference, so that I need not give a list of articles imported into India, and exported from India to which the policy of preference might be applied; nor need I consider a reasonable average rate of preference.

781. *Q.* 39. Since I am not in favour of preference, I need not answer this question.

782. *Q.* 40. If preference were given by raising the import duties on goods coming for foreign countries, the existing rates being maintained for British goods, I do anticipate that this would raise the price to the consumer.

783. *Q.* 41. I think that a system of Imperial Preference is likely to diminish the total volume of Indian imports and of Indian exports.

784. *Q.* 42. I think that the partial or complete diversion of trade from foreign countries which might result from Imperial Preference would diminish the volume of India's trade.

(N.B.—I am not an actual exporter, but one who produces for export.)

785. *Q.* 61. I produce cotton, wheat and oilseeds.

786. *Q.* 62. I am interested in the production of rice on which an export duty of 3 annas per maund is levied. Our export trade in rice will not, it seems, be affected even if an export duty of Re. 1 per maund were levied, for we have the monopoly in rice. Rice from Shadipati and Larkana is exported to all parts in the Indian Ocean. Sometime ago a "Mughul rule," as a former Commissioner in Sind, I am told, termed it, was enforced in the matter of the export of the Sindhi Joshi rice, the right to export which was auctioned to exporters who had thus to pay about Rs. 6 to 7 a maund. This procedure was stopped last year. But the profit that accrued to Government then under the auction system referred to above accrues to underlings now.

787. *Q.* 63. I would recommend as follows :—

(*a*) Jute bags, export duty on, might be increased from Rs. 20 a ton of 2,240 lbs. to Rs. 30, and export duty on jute hessians from Rs. 52 to Rs. 40, since India has the monopoly in jute.

(*b*) Rice, export duty on, may be increased straightway from annas 3 to annas 6 per maund.

(*c*) Tea, export duty on, should be maintained at Rs. 1-8-0 per 1,000 lbs., for otherwise India will lose her trade in tea and Ceylon will secure it.

(*d*) Raw Hides and Skins, export duty on, now 15 per cent. should be reduced to 5 per cent. The rebate of ⅔ of the duty of 15 per cent. that is provided for now on hides and skins exported to any part of the Empire should be done away with, since that has ruined our trade in hides and skins with foreign countries. England cannot, it seems, afford to go in for the whole of India's imports in hides and skins. Our information is that the hides and skins exported to England in 1919 are not sold yet.

788. *Q.* 64. I have already given a full answer to this question. India's position in the exports of jute and rice is one of advantage, and Indian export trade will not be hampered by high import duties imposed in other countries.

789. *Q.* 65, 66, 67, 68 and 69. I am against Preference, as I have already explained, and need not therefore answer these questions.

Oral evidence, Karachi, the 29th and 30th November 1921.

790. *President.*—*Q.* You are a member of the Legislative Assembly?

A. Yes.

791. *Q.* You are the Principal of the Sind College?

A. Yes.

792. *Q.* You are also a zemindar?

A. I am also a zemindar.

793. *Q.* In your answer to Question No. 2 you indicate your preference to direct taxation in *theory*. If it was found that the consumer was penalised to a greater extent by direct taxation than by indirect taxation, would you still prefer direct taxation?

A. Certainly not.

794. *Q.* In answer to Question No. 3 you suggest an export duty of 3 annas per maund on wheat, oil-seeds and cotton. Do you think that that export duty will in any way affect the agricultural interests?

A. No.

795. *Q.* In answer to Question No. 6 you say " Excise duties are in my opinion to be endured only on the score of urgent revenue requirements which cannot be met otherwise. " Do you realise that any amount of excise duty, imposed even for revenue purposes, reduces to that extent the protection which is conceded to an industry?

A. I do.

796. *Q.* Would you regulate your taxation of a protected industry by the addition of an import duty to counteract the excise duty?

A. As a matter of fact I would wish to undo all excise duty. But in protection, according to me, there are three factors to be considered; firstly, agricultural development, secondly, industrial and commercial growth and thirdly, a sound financial administration. These are the great sources, according to me, of national wealth, and if, for purposes of organising our finances it becomes necessary to impose an excise duty I would do so, but not otherwise.

797. *Q.* My point was this. You indicate that you are in favour of a protective policy. Now supposing that the protection of an industry requires 15 per cent., would you then, for revenue purposes, impose an excise duty of 5 per cent. out of the 15 which is considered necessary for protective purposes, or, in order to get an excise duty of 5 per cent. raise the import duty from 15 to 20 per cent.?

A. I would raise the import duty from 15 to 20 per cent.

798. *Q.* In your answer to Question No. 10 you note that the essential conditions for the development of industries are roughly, capital, raw materials, markets and labour, skilled and unskilled. If you desire, as you indicate, a substantial advance in the industrial development of India you will need all these to meet all requirements. We will assume that India has a sufficient amount of unskilled labour. But it is a well-known fact that India is lacking in skilled labour for industrial purposes. How would you secure that in order that industrial development may be carried out as rapidly as you desire?

A. My protective policy extends to technical education also. I would insist upon Government sending out each year students to other countries for learning work, and should it be necessary in their interest, I would bargain with the people from whom I buy. Japan in its industrial development did pursue this policy.

799. *Q.* Will you explain it a little more fully?

A. Supposing it becomes necessary for me to make some purchases in Japan, I would enter into negotiations with the Japanese to permit my students to receive adequate training in Japan, and without that permission, I would not patronise the Japanese. My protection does not confine itself merely to industrial growth. I would extend my protection to the development of agriculture, forestry, mining and technical skill. My protection would be a comprehensive programme intended to secure national organisation and on that account I would employ all the means that I can.

800. *Q.* You know Mr. Sahani that in order to get an adequate supply of skilled labour in the various directions which you have just enumerated you would have to train a very large number of Indian youths. You also know that this training will cost money. Do you advocate in the first instance the training of a large number of Indians as skilled labourers in the various directions and are you prepared to incur the expenditure out of Indian revenues for the purpose of giving that training?

A. I am most ready and willing to incur that expenditure.

801. *Q.* In answer to Question No. 15 you say: " I would grant special protection against foreign goods favoured by countervailing duties and not by such measures as dumping, bounties, subsidies or transport concessions." Will you kindly explain what you mean?

A. My typist has committed a mistake. This mistake has been pointed out to me. I read my answer thus: " I would grant special protection against foreign goods favoured by such measures as dumping, bounties, subsidies and transport concessions."

802. *Q.* In answer to Question No. 19 you say that the conflicts of interest contemplated there are not likely to arise in India, and that even if conflicts arose there should be no difficulty in adjusting them in the light of the larger interests of the nation as a whole. Have you any special suggestions to make?

A. I have a special suggestion to make. Send right representatives to the Assembly and Councils and they will be able to bring about an adjustment between capital and labour so that the labourer may not be exploited by the capitalist.

803. *Q.* Suppose producers of raw material ask for protection, and the manufacturers of raw material oppose protection wishing to get the raw materials as cheaply as possible. Do you think that conflicts of interest of this nature would be likely to arise in India?

A. It would not be likely to arise if the Government is properly constituted and the society too is properly organized.

804 Q. In answer to Question No. 34 you say that you consider it advisable to impose an export duty on a raw material in retaliation for an import duty imposed by a foreign country on the manufactured article, provided the raw material so taxed is one of which we have a practical monopoly, that is, jute, opium, til, for them alone will our action be effective. Then you would not advocate retaliation in regard to other articles for which you have got no monopoly?

A. No.

805. Q. For instance, it is reported that the United States of America wanting to develop their tanning industry imposed a heavy duty on tanned hides and skins imported from India while they allowed raw hides and skins to be imported free. In that way they practically injured our tanning industry. Now in the case of hides and skins and in similar cases where a country deliberately injures our manufacturing industry, you would not retaliate?

A. I would, and I would impose a very heavy export duty.

806. *Q.* That is, even in cases where we have got no monopoly, under these conditions, you would retaliate?

A. My term includes quasi-monopoly also.

807. *Q.* Apart from the question of monopoly, you would retaliate under such special conditions in regard to a raw material?

A. Provided that I feel that it would be beneficial to my country.

808. *Sir Edgar Holberton.—Q.* You are the Principal of the College here, are you not?

A. Yes.

809. *Q.* Previously you were Professor of the College?

A. Yes.

810. *Q.* Were you, Professor of Economics?

A. I taught as Professor of Economics in the Wilson College.

811. *Q.* You have made a life study of the subject?

A. Yes.

812. *Q.* I gather that it is rather as Professor of Economics than as a practical trader and commercial man that you give your evidence?

A. I think I am giving evidence in both capacities. I have been Professor of Literature for a long time. I used to make Economics my special study. I could not pretend to be an expert in commerce, but I have got practical training as a producer of raw materials for export. I feel that I can derive all my illustrations from the agricultural work in which I am engaged, and from the allied industries. To my mind I am answering these questions as a practical man.

813. *Q.* In answer to Question No. 1 you say that the poverty of the Indian masses and the recurring famines from which they suffer necessitate an energetic policy of industrialisation which can succeed only under a scheme of protection. This policy of industrialisation runs through the whole of your evidence. It is the key-note of your remedy for the present evils?

A. Undoubtedly.

814. *Q.* Are you of opinion that this policy of industrialisation is going to be of immediate utility to the masses of the people or only to the employers?

A. Of immediate utility to the masses of the people. It is a mistake to suppose that it is otherwise.

815. *Q.* Could you explain how it is?

A. In my own village I always feel that it would be possible for my workman to render service at a much cheaper rate than now if he was able to buy say his cloth at a much cheaper rate than it sells at the present time. He comes to me and says: Cloth sells very dear, and I cannot afford to pay its price, and therefore you must increase my wages. Now this high price is in consequence of the inadequate industrial development, inadequate development of transport in the country.

816. *Q.* But apart from your own village, will the ordinary ryot or cultivator get things cheaper?

A. He would get them cheaper.

817. *Q.* Immediately or in the near future?

A. If it is not in the immediate present regime, in the near future. I myself have been able to reduce my expenditure very largely on account of the use of *Khadi*, and why should not a ryot find it possible to do the same? A member of my family used to spend about Rs. 200 on her dress. Now she can dress herself elegantly with Rs. 20 in Indian style with the Indian cloth, more especially Khadi, which is excellent wear and looks nice.

818. *Q.* That is at present produced by mills as well as handlooms?

A. Yes.

819. *Q.* European mills as well as Indian?

A. European mills too.

820. *Q.* With reference to Question No. 3 you suggest an increase in the export duty on rice and jute?

A. Yes, because there we have a monopoly.

821. *Q.* You would not be afraid of losing a great deal of the jute trade by your export duty?

A. I would not be afraid. Until, with the increase of scientific knowledge, other people are able to provide alternatives, I can derive much income from the duty.

822. *Q.* Temporary income?

A. Temporary in light of the contingency of science providing alternatives, but otherwise it is permanent. Jute is a monopoly in the case of India. There is no danger.

823. *Q.* People tell me that it is a monopoly which is largely dependent on price. As long as it is supplied cheaply to the world they may not invent anything to take its place. But if the price goes high, the world will find substitutes, and the price of the raw material will go down? You do not agree with me in thinking that in the matter of price the trade will be affected?

A. No. I can conceive that India would find it easy to produce much more considerably and be able to supply at a less price.

824. *Q.* Even with export duty?

A. Yes.

825. *Q.* With reference to rice, rice of course is not a monopoly. Do you not think that your trade will be affected?

A. Here my opinion is based upon my experience of rice cultivation in Sind. Some of the best varieties are cultivated in Larkana. If it becomes known to people outside, Larkana rice will come to be preferred to several other varieties, and its cultivation will increase. If this is true here it must be true of other provinces in India, and rice could become a great source of income to India.

826. *Q.* In answer to Question No. 62 you say that we have a monopoly in rice. Of course you are aware that the great bulk of the real rice export trade of India is the Burma trade?

A. Yes. I admit that my expression here is somewhat parochial and based more upon the experience of my province rather than of the whole of India. I know that Siam would be a competitor. Plenty of rice is produced there. We have not a monopoly but a quasi-monopoly.

827. *Q.* You were really dealing with a local problem, which is a very small factor in the rice export trade of India?

A. Not a small factor in the export trade of Karachi. I feel quite certain that Sind has a monopoly of *joshi* rice which we and other people consume. I am quite sure that if you raise the tax from 8 annas to 6 annas, even Re. 1 per maund, it will be paid without injury to trade.

828. *Q.* In answer to Question No. 5 you say that foreign competition has made India a mere producer of food and raw material for foreign industries. You do not look upon it as an advantage that the country is a producer of food and raw material?

A. I do, but not a producer of foodstuffs alone, to the detriment of industry or commercial development.

829. *Q.* Will you not in any way be alarmed that the food produced may be reduced as a result of industrialisation?

A. I can never for a moment imagine that it will be reduced. It is only imagined by those who cannot think and look ahead and those who believe that industrial development is not necessary for a nation. It is a childish mode of thought and not at all based on historical fact. Industrial development is a necessary stage in the evolution of a people and seeking to make out that it is not only shows ignorance.

830. *Q.* Of course there are various ways by which an industrialisation programme can be carried through?

A. Most certainly. But protection is a necessary item of this programme and any one who denies it is not acquainted with facts.

831. *Q.* Is it necessary to make comments on those who hold different opinions?

A. Excuse me. I want to emphasise that my protection programme is not merely a commercial one, but a national one with a view to making it a cosmopolitan one.

832. *Q.* In your reply to Question No. 9 you say "The establishment of industries will provide at least a portion of this population with subsidiary industries." Now, Sir, would you be so good as to tell me what you mean by subsidiary industries?

A. Yes. Take for instance our agriculturists. When they are not busy, I feel that they should be devoting themselves to the production of cloth, *i.e.*, the handloom industry.

833. *Q.* You proceed to give us a series of interesting reasons for which you advocate immediate protection, and among them you say "It will secure a healthy combination and co-ordination of agriculture and industry when each stimulates the other, as in the United States of America." Would you be prepared to base your programme on the United States of America?

A. My information is derived from the history of the development of America and to a very limited extent from the history of the development of the German people.

834. *Q.* Yet you will be in favour of hampering exports by protective duties?

A. Yes.

835. *Q.* Do you know that it is against the constitution of the United States of America?

A. I think it is not.

836. *Q.* I think you may take it from me that it is.

A. You may take it from me that it is not.

837. *Q.* I can show you the reference.

A. I too have some information. My information is derived from my knowledge of what transpired in America from 1806 to 1812 right up to 1815, and then again what transpired between 1830 and 1833 and then about the time of the outbreak of the Civil War in 1861. Of course my information is derived from books, and I myself have not gone over to America. I should be sorry if this statement of mine is found incorrect. I would request time. I feel quite sure of the position I have assumed. However, I should be obliged if I am called again.

838. *Q.* In reply to Question No. 12 you deal with several industries as suitable for special protection, and among them you put cotton. Are you correct in calling that a young industry struggling to grow?

A. Certainly, looking to the potentialities of the Indian domain I should consider it a new industry, and when it is talked of as a colossal industry, I beg leave to say that I feel disposed to qualify the word 'colossal.' Looking to the size and resources of India, it should be very much greater than it is now. It is an industry with great potentialities and in that sense I call it young.

839. *Q.* Take your reply to Question No. 13. Could you tell us why the shipping industry is at all necessary?

A. To me three things are essential. First, manufactures; next, agricultural development—and according to me agriculture will include foresty, and thirdly, shipping and ship-building. India can never develop except under protection with regard to shipping and ship-building. It is essential; it is vital.

840. *Q.* Ships are very costly, and I should have thought that this is the worst possible moment to even consider the possibility of a ship-building industry?

A. I am more optimistic, Sir.

841. *Q.* Please take your reply to Question No. 17. The question is "Is there any danger in India of protection leading to a combination among the protected manufacturers in order to maintain a quasi-monopoly price? If so, what safeguards would you suggest to counteract the effect of such a combination?" The safeguards you suggest are (*a*) regulation of prices by Government and (*b*) the limiting of profits by the State.

That is to say, you would advocate interference by the State?

A. Yes.

842. *Q.* You are aware of the various controls that came in during the war?

A. That is a very general question. Give me these controls in detail and I can tell you what particular controls I favour and what I do not.

843. *Q.* Apart from the question of free trade or protection, there are two schools of thought: some people believe that industries and trades can be assisted and helped by state management and aid; others have definitely held that it is entirely outside the business of the state to interfere with trade. You are in the first class?

A. In the first class, and I believe the second class is not a right-thinking class.

844. *Q.* In your answer to Question No. 23, Sir, you make rather a point of "the necessaries of life which every country should try to produce for itself. To depend upon others for necessaries of life is dangerous." How are you going to do that if you by a tremendous industrialisation campaign and also by your export duties run the risk of a reduction in your agricultural produce?

A. As a matter of fact I would not put an export duty on food if my people were not starving. I feel that one circumstance special to India is altogether ignored by every economist not belonging to India. India has got one special circumstance which ought to be pondered over deeply, namely that most of the Indians are living a sub-human life: they have not got even food to eat; there are no schools and no hospitals; they are living the life of beasts. I was here when Mr. Price was examined yesterday—he said that in the interests of the agriculturists India should not become industrial. I must beg leave to say that he does not understand the agricultural condition at all. The agriculturists are in a very bad way, and they ought to be protected effectively. When there is famine and shortage of food, then I wish that duties should be imposed upon wheat, so that it may not go out but be available for consumption in the country. It is true that internal transport is very defective and therefore it cannot always be taken easily to the affected areas, but if the administration is properly organised, all these defects would disappear.

845. *Q.* I pass over many interesting points in your statement, and I come to your reply to Question No. 32. You state that you consider it advisable to impose an export duty on raw material in certain circumstances, and among your instances you give hides and skins. There is at present, as you know, a somewhat severe export duty on hides and skins?

A. Once again it is Imperial Preference that has come in the way of the trade in hides. If the rebate were not there the difficulty experienced by the trade would disappear.

846. *Q.* Do you think that this 15 per cent. can be levied?

A. No. 15 per cent. is too high. I would not impose a duty of that kind, because the nature of the article cannot admit it.

847. *Q.* How much do you think it would admit?

A. At first I thought that it would admit a 5 per cent. duty. It is however not a question I have studied with care. But from the complaints that have reached me, my feeling is that there should be no duty on hides.

848. *Q.* You rather withdraw your previous statement?

A. Yes.

849. *Q.* In your reply to Question No. 33, you seem to me rather to go in for a definite export duty on foodstuffs, which I do not think you are quite sure about?

A. I am quite sure. Looking to the shortage of foodstuffs in India I think we should go in for it.

850. *Q.* At all times?

A. Until our conditions improve.

851. *Q.* I understood you to say that you wanted it only in times of famine?

A. Of late there has been shortage at all times.

852. *Q.* In your answer to Question No. 37, the paragraph begins "I do anticipate a material loss to India from a system of Imperial Preference." A little lower down you say "under protection if Indians suffer as consumers they gain as producers." Now, would that be the same lot of people? Would you have one lot of people losing in order that the other might be benefited?

A. All would gain in the long run. To me the opposite view is something like providing an educational system and expending upon it, and imagining that it will be a burden upon the tax-payer. Or to vary the illustration, it is something like saying that our production of corn will be impaired by an outlay on seed corn.

853. *Q.* In your answer to Question No. 42, you say "I think that the partial or complete diversion of trade from foreign countries which might result from Imperial Preference would diminish the volume of India's trade." That is to say, you think that the adoption of any policy of Imperial Preference would severely injure India's trade with foreign countries?

A. Yes.

854. *Q.* Would you look upon that as an advantage or a disadvantage?

A. If I could manage my internal organisation myself, I would certainly seek to command foreign markets, but in the first instance I would be content with my home markets.

855. *Mr. Narottam Morarjee.*—*Q.* In reply to one of the questions of Sir Edgar Holberton you said that the agriculturists needed protection. What sort of protection would you suggest?

A. For instance, protection in the shape of allied industries, improvement in transport, and education. I would have agriculture protected in the shape of knowledge or information as to whether they can find subsidiary work. It was said yesterday that in the event of India's industrialisation the number of agriculturists might decrease. I would not look upon it as a calamity if they could find work otherwise than by agriculture.

856. *Q.* Can you give us an instance of a country where the agriculturists with the co-operation of Government are doing their best for the country?

A. Yes. For instance, Denmark. I am open to correction on this point, but my general information is that the allied industries, such as dairy farming and butter industry are developed there through positive State aid. That is to say, the State there sees that very little is spent by the agriculturists upon carrying their commodities to England. I have heard that Danish things sell cheaper in England than they do in the local markets.

857. *Q.* You said that 75 per cent. of the population are agriculturists. Do you think that the same proportion should be kept on the land when industries are developed?

A. Even if 33 or 34 per cent. find work outside, if I had the requisite facilities, I could do my agricultural work with the remaining 66 per cent. Then we have to remember that we are not multiplying fast for the needs of the country. Our people are dying in thousands. In my own zemindari I find I am not able to provide hospitals or even permanent quarters for my cultivators. My water supply is not adequate nor permanent. If I had the money, the first thing I would do will be to provide quarters and hospitals for them. Then they will multiply faster and all possible difficulty would disappear.

858. *Q.* You have not followed my question. When improved machinery and cultivation are introduced don't you think we can spare a greater proportion of the population for industries, instead of 75 per cent. of our population being kept on agriculture as is the case to-day?

A. Though the introduction of machinery means the necessity of employing less men, we have also to contemplate the possibility of our agricultural operations developing with the introduction of machinery, so that more men will be required. This is all a question of population and appliances.

859. *Q.* You are opposed to the imposition of an excise duty on home manufactures because it would mean loss to the consumers?

A. Yes. I am told the textile industry paid about 12½ crores much of which it is true must have flowed into the pockets of the rich capitalists. But then a repetition of that should not be allowed by Government. I am very keen on seeing that the profit is rightly distributed between the capitalist on the one hand and the labourer on the other.

860. *Q.* You would favour the retention of the 11 per cent. duty on Lancashire cloth?

A. I would even raise it to 20 per cent. because we should produce our own cloth. India first, England

next and the Empire afterwards. No student of history and economics can come forward and say we should not.

861. *Q.* Can you give an instance of industrial combines in India?

A. As I told you my general information is that there are no industrial combines in India, but I am not certain because I am not engaged in trade. If there is any likelihood of their arising they should be immediately put down.

862. *Q.* You are against putting an export duty on hides. Would you be against even a small export duty?

A. My information is that the present duty has ruined our trade in hides. That is what has led me to oppose any export duty on hides.

863. *Sir Montagu Webb.*—I have studied with very great care the most interesting memorandum that you kindly prepared for the Commission and I have gathered therefrom what your views are. They are expressed very fully and I do not think there is any doubt exactly what your meaning is. There are, however, one or two points I would like to be elucidated. One of the reasons why you advocate a policy of protection is to minimise the risk of famine in this country. We heard from one of the witnesses yesterday that his reason for advocating a policy of free trade was exactly the same. Would you kindly explain how you think the diversion of agricultural labour from agriculture to industries will help to minimise the risk of a famine? It is a very great object which we all would like to obtain. Can you explain how the policy of protection will effect this?

A. Famine according to me proves ruinous because the people do not have the requisite quantity of foodstuffs, also because they do not have the requisite money to buy foodstuffs. The wheat produced in the country will remain in the country if a policy of protection is adopted. Of course when there is no famine and we have more than enough wheat I would not be opposed to the exporting of wheat. There has never been a universal famine in India. If famine occurs in a particular area and the crops are good in other places, these cannot be easily moved on to the area affected, because our transport is bad. A protective system in India should include the improvement of transport and if there is real shortage, then I would impose export duties so that the grain may remain in the country. Secondly, if there is protection all round, then the cost of living would go down and the general ability to buy foodstuffs would be greater. So from both points of view, we would be better off under protection and we would be simply sacrificing our own interests if we go in for free trade or Imperial Preference.

864. *Q.* The problem appears to me somewhat in this way. If you encourage a larger number of people to concentrate their attention on industries, it seems to me that you run the risk of making a larger demand for food whilst reducing the amount of the food available. Don't you think there is such a risk?

A. No, because I see possibilities of increase in population and agriculture and other productive agencies in India. If for instance, the Indian world is as unexplored as Sind, we can never say that industry will starve agriculture. Both will thrive and for a long time to come in India there will be no danger of industries starving agriculture.

865. *Q.* In England you no doubt know that industrial development has reached such a stage that England cannot feed herself for more than two or three weeks?

A. Yes.

866. *Q.* Some people are inclined to think that industrial development has been overdone in England. The population of the United Kingdom is relatively small; the population of this country is relatively very large, so that if there is a danger of food shortage in this country, it is very much more serious than in England. But I gather from your answer that you do not apprehend that the stimulating of industrial development will involve any increased danger of famine?

A. No, I do not think so.

867. *Q.* In regard to Question No. 3, you advocate some additional export duties. Will you kindly explain what your object is in putting on an extra export duty?

A. My object is this. I am a member of the Legislative Assembly. I see the difficulty of the Indian Government. I do not endorse the view that is usually taken by Government that it is essential to go on increasing taxation. As a matter of fact I am for retrenchment. Still I do not like deadlocks. I am not one who will irrespective of circumstances refuse the money required. I feel that things have to be done slowly and steadily, and that if the financial needs of Government are great, very well, increase the export duties.

868. *Q.* Then your answer to Question No. 3 really means that you are only advocating additional export duties for revenue purposes?

A. No, for two purposes.

869. *Q.* Your answer states that it is for revenue purposes?

A. Primarily it is for revenue purposes, but there is the larger consideration, that it will redound to the industrial development of the country as in the case of America.

870. *Q.* In what way?

A. At the time when America became a protectionist country, she found that her industries grew, and the Americans kept to the protective duties realising the essential advantage involved in protection, *viz.*, that the prosperity of the nation increases. India is not a nation proper just now. It will become a nation only when it grows industrially, and agriculturally. Then it will be very good for the whole world. I have a cosmopolitan policy as my goal. No nation can be sufficiently dynamic and progressive without protection.

871. *Q.* You referred just now to the United States, but they have no export duties?

A. I will not make a reference to that, because I could not rely upon the information I have.

872. *Q.* My question was why in your reply to Question No. 3 you advocate increased export duties. Your reply is firstly for revenue purposes, and secondly because it would generally add to the development of the country.

A. Because I put one reason first and the other second, it does not mean that I attach less importance to the second consideration.

873. *Q.* I take note of that. I am only reminding you that the United States in spite of their protection policy never put on an export duty?

A. I would not be able to supply any valuable information, but I am going to explain the thing to you from the point of view of the general student. It is my conviction that the Americans adjusted themselves to their environment only by and through protection. I do not know what they actually did. I could supply the information if you give me time.

874. *Q.* I still do not understand exactly how you think that an export duty will help India.

A. Export duties will tend to India's becoming more industrial than she is now.

875. *Q.* In what way?

A. I will take for instance the imposition of an export duty on wheat. There is shortage of wheat and wheat would then remain in the country, although wheat may pay less to the agriculturist, he will gain in the long run by things becoming cheaper generally, because industries will be aided thereby.

876. *Q.* Then I understand that the reason why you advocate an export duty is that it will tend to reduce the price of the produce in this country and thereby aid industries?

A. I am sure that it will reduce the price.

877. *Q.* I want to understand this point quite clearly?

A. The quantity will be greater, and the price, according to me, should be lower.

878. *Q.* Therefore that will help industry?

A. That will help the agriculturist.

879. *Q.* How? They will receive less money for their produce?

A. They will spend less and work better to produce more and in the long run they will be benefited.

880. *Q.* The export duty will tend to reduce the price and therefore I understand your view is that it will aid the industries?

A. It should reduce the price theoretically, and it would mean more food and more productive power to the country.

881. *Q.* Do you think that the lowering of the price of the agricultural product will tend to encourage the agriculturist to produce more?

A. There will be greater efficiency.

882. *Q.* Suppose I am growing wheat, and I get less price, shall I therefore buy more acres? It has been suggested that the lowering of the price would tend to reduce the output. When some crops do not pay, the zemindar transfers his attention to others?

A. Naturally.

883. *Q.* He expects to get a better price for it?

A. Supposing he gets less, indirectly he is benefited by lower prices.

884. *Q.* Export duties tend to lower the prices. What are the agricultural benefits by receiving lower prices? That is what I cannot understand.

A. Supposing he gets a lower price other things that he requires become cheap.

885. *Q.* I do not see how export duties would reduce the price of other things.

A. If there is more food available, there will be greater life. Export duty will tend to retain the available food in the country; as a matter of fact, it is drained away now.

886. *Q.* An export duty prevents export?

A. Yes.

887. *Q.* Therefore you advocate export duty—because it prevents export?

A. Yes, but it will depend upon the conditions. Taking the present conditions, I say export must be prohibited. I realise it, very vividly. At the present time wheat comes to my wheat producing village from Karachi.

888. *Q.* At the present moment it is coming into India from Australia and the United States. Of course it is because of special conditions, to which I need not refer. I still want to get this point very clearly, that by putting on an export duty, the export of grain is reduced or checked and the price is lowered. I want to understand how this would benefit the country?

A. If I thought that the country would be benefited by putting on a heavy export duty, I should be the first to advocate it.

889. *Q.* I confess I have not yet clearly understood how this would benefit the country?

A. My people are being starved now. Enough effort is not being put into the requisite industries in the country. With more food and lower prices, there will be greater energy available for utilisation and thus the country will gain.

890. *Q.* There will be more food even if you reduce the price?

A. Yes.

891. *Q.* Reduced prices would not affect the production of food?

A. No. That is my *bonâ fide* belief.

892. *Q.* Export duties are not likely to reduce the production?

A. No, in the existing conditions, provided the Government realises the necessity of aiding the agriculturist.

893. *Q.* In your answer to Question No. 5, you say you feel that foreign competition has made India a mere producer of food. But you recognise the jute industry, leather industry, tea industry, flour mill industry, electrical undertakings, and several other things have all grown under foreign competition quite successfully. Is it not probably an exaggeration to say that it has reduced Indian industries?

A. I am not one of those who see nothing good in foreign competition. As a matter of fact foreign competition is very stimulating. If I have difficulties to encounter, I become more self conscious and evoke the best in me. I also recognise the strong points in European character. I am not one of those who would run them down. Some of our industries have grown up by the good example set to them by Europeans and in consequence of the intrinsic worth of the Indian conditions. When I say that India has become a mere producer of food there may be some injustice, but how great would India be if she is allowed to be protected just as England really is or America is, although there may be profession to the contrary.

894. *Q.* Excise duties you say are peculiar to India. Surely there are excise duties in other countries?

A. Will you kindly tell me the names of the countries in which they prevail?

895. *Q.* I have just been looking at a look and I see that England has imposed excise duties on beer, chicory, coffee, sugar, matches, patent medicines, etc. Therefore India is not the only country where there is an excise duty?

A. England is powerful and, in the matter of minor articles, it could afford to be a free trading country, with a view to be protectionist in effect in commodities ultimately calculated to pay England. It is my conviction that England is in practice a protectionist country, and it is only by profession that it is otherwise.

896. *Q.* Sir Edgar Holberton drew your attention to your answer to Question No. 12, in which he dealt with India's cotton and woollen industries and others. I would go a step further and say that I think it is hardly correct to call them struggling. The mill industries in Bombay are paying 25 to 150 per cent. dividend and I do not think that an industry paying such large dividends could correctly be called struggling. They appear to me to be very flourishing?

A. Ahmedabad has grown into an important cotton manufacturing centre. I feel that Hyderabad can, and when I see that Hyderabad has not become a cotton manufacturing centre I say that the cotton industry on the whole is a poor thing. It is struggling, because it has not developed as much as it can. If I contemplate the cotton industry of India, I contemplate it as a whole. I say it has had a very mutilated existence. It could grow into enormous size.

897. *Q.* You consider that the Bombay cotton mills are really struggling?

A. No. I have no information to that effect.

898. *Q.* I suggest for your consideration that there are special reasons why cotton mills have not been yet built in Karachi and Hyderabad?

A. If you will give me the reasons, I may be able to convince you and probably convert you to my view.

899. *Q.* Your answer to Question No. 18 introduces a new idea of protection. You state in effect that you would not allow foreign capital to come into this country to develop the industries unless it was combined with Indian capital. That is what you intend to convey?

A. Yes, and I want to tell you that England has suggested that idea to me. It has been seriously suggested that England should do this.

900. *Q.* I should not think the suggestion could be made by any responsible body?

A. I could quote chapter and verse.

901. *Q.* Do you consider it is advantageous to have the assistance of foreign capital in this country?

A. I never imagined that we could do altogether without the English example.

902. *Q.* Do you think it is an advantage to have foreign capital to aid in the development of this country?

A. It is an advantage, if it has not the effect of killing my industries or driving out the capital that there is in this country. If my capital comes to be consumed by the foreign capital, I would prevent all foreign capital flowing into India.

903. *Q.* With reference to your answer to Question No. 20, you recognise that a policy of protection tends to raise prices within the country?

A. It does for a time.

904. *Q.* And that 80 per cent. of the people being poor would feel seriously the additional price?

A. Other things would become cheaper. So in the long run they will gain.

905. *Q.* I gather that your conclusion is that it is worth the price to introduce a system of protection?

A. Yes.

906. *Q.* That is your general theory?

A. Yes.

907. *Q.* I gather you are opposed to Imperial Preference because you do not think it would be advantageous to India?

A. It could be of advantage, but I hope you would not mind my saying that my feeling is that there is some selfishness on the part of other members of the Empire, so that to protect ourselves, we ought

to be against Imperial Preference; otherwise it is a very good thing. Then again our trade with the other parts of the Empire excepting of course the United Kingdom would be comparatively small, and in the interests of Imperial Preference we may be kept from protection which I will never endure. It is only on that ground that I am against it.

908. *Q.* There would be no possibility of arranging a policy of Imperial Preference, unless both sides clearly gain by it?

A. India appears to be so weak in the matter of representation in the Councils and Assembly that India would not be able to protect her interests, and I am therefore against it.

909. *Q.* You fear that in negotiations of that kind, India would get the worst of it?

A. Yes.

910. *Q.* I have great faith in the strength of India in the near future.

A. I too. Only the present system of representation is defective, and if we are correctly represented and if we have the Government in our own hands, then I have no doubt that Imperial Preference may become a blessing.

911. *Mr. Coyajee.*—*Q.* With reference to Question No. 25, you argue that protection will decrease foreign trade and increase home trade?

A. Yes.

912. *Q.* Do you think that this reduction in the volume of trade will have any adverse influence on our exchange?

A. I have not agreed to the proposition that you made that the total volume of India's trade will decrease on account of protection. My idea is that the volume will increase.

913. *Q.* You yourself say that the total volume of home trade will increase and that foreign trade will decrease.

A. Foreign trade does not mean the total volume of trade. On the whole industries increasing, the total volume should increase.

914. *Q.* But assuming that foreign trade diminishes and home trade increases, do you think that a fall in exchange will result?

A. Exchange is a difficult matter. If you give me time, I will explain the exchange position.

915. *Q.* That brings me to one little difficulty which has been advanced in one of the text books. If we consume our own raw materials instead of exporting them the rate of exchange will not be maintained?

A. You mean that the balance of trade will be against India and India must necessarily import goods if there is a balance in her favour. I am one of those who believe in the importing of bullion and precious metals, if need be.

916. *Q.* I derive my information from the latest books. They say that if we cease to export raw material, it might affect the exchange a little.

A. My belief is that it would not.

917. *Q.* Another thing peculiar in our position is that we can give protection in the technical sense to our manufactures, but not protection to agrarian interests.

A. What is the technical sense?

918. *Q.* The peculiarity of the position is that we are benefiting the manufacturers and not the agriculturists. I was just asking you whether, in your opinion, that will cause any conflicts of interest between the agrarian population and the manufacturers?

A. No conflicts. I am not at all afraid of that.

919. *Q.* Is it likely to cause a movement of population from the villages to the manufacturing centres?

A. There will undoubtedly be an exodus of people to the manufacturing centres. Therefore, if we take up the protection of industries we should at the same time arrange for intensive agriculture.

920. *Q.* The two must go hand in hand?

A. Undoubtedly.

921. *Q.* It is argued that even at present there is a paucity of labour. That would be intensified under a scheme of protection?

A. The argument of paucity of labour is a misleading argument. There will be paucity if we assume that the present organization continues, people not working all the time and yet being represented as engaged in agricultural industry. That will be possible. One agriculturist can do 4 men's work if his work is properly organised. Now 4 are engaged where only one man ought to be.

922. *Q.* It is often said that the improvement of manufactures in India will balance the precariousness of our agricultural conditions. But our system will still be defective in times of famine.

A. Defective on account of defective organisation and unsound administration.

923. *Q.* Suppose we have started a number of manufactures which flourish by the demand of the agricultural population for these manufactures and suppose there comes a famine. Then, it is argued that not only will there be no demand for agricultural labour on account of the famine, but also as a result of the famine the agriculturist will not demand anything from the manufacturers.

A. Sir, we shall be able to arrive at some kind of understanding if we define our ideas. I cannot suppose that at any time there would be famine throughout the whole of India.

924. *Q.* I do not mean very severe famine.

A. All will depend upon the intensity of the factors. I could not make a reply.

925. *Q.* As to your answer to Question No. 13 in what possible ways, under the terms of reference of this Commission, would you propose to assist the shipping industry of India?

A. By protective tonnage duties, and even prohibitory regulations so far as foreign shipping goes. Coasting trade ought to be developed by means of subsidies, if necessary, premiums and rebates.

926. *Q.* Do you mean a sort of discrimination in favour of the native shipping?

A. Yes, I would certainly discriminate.

927. *Q.* Do you mean higher tonnage dues levied on foreign shipping than on domestic shipping?

A. Yes.

928. *Q.* In answer to Question No. 29 you are talking of an organisation for investigating the claims of various idustries, and therefore I would like you to explain a little what sort of organisation you propose to have. Would there not be several kinds of functions?

A. A permanent organisation will have to study tariff revisions, the effect of the tariff on internal prices, and the relative cost of production in different countries.

929. *Q.* In answer to Question No. 23 you advocate protection of necessaries of life by subsidies. What sort of necessaries do you mean? Cloths and metals are also necessaries of life?

A. I have been contemplating cloth and shipping. Shipping I feel to be a necessity of national life.

930. *Q.* Would you subsidise mails?

A. Yes. Just as Japan subsidises or just as England subsidises, in the shape of mail contracts.

931. *Q.* If you propose to subsidise some industries of national importance, that means we must be in a flourishing financial condition. If there are no duties from which revenue can be derived, which will bring in ready cash, how will you pay the subsidies?

A. The sources of revenue will be agriculture and industries of the people and their productive power. The increase in these will help us to pay subsidies required to stimulate the growth of those industries on which our national life depends.

932. *Mr. Seshagiri Ayyer.*—*Q.* In answer to a question by Sir Edgar Holberton you said that your scheme of protection is a national one. I take it you mean that political awakening and industrial development should go hand in hand together?

A. Yes. I do.

933. *Q.* You know as a student of history that so far as England is concerned it was after the Napoleonic wars that industries came largely to flourish. and that so far as Germany is concerned it was after the Franco-German War that the German industries flourished. What you want, so far as India is concerned, is that there should be political awakening side by side with industrial awakening. That is your scheme of national protection?

A. Yes, dependent of course on the development of scientific and technical knowledge.

934. *Q.* I take it that your opinion is that agriculture will not suffer by the development of industries for three reasons: You have got a larger

number of labourers upon the land than agriculture requires. Secondly, large cultivable areas are being added year after year in consequence of irrigation projects, and lastly, if there is more wealth in the country the people will be able to stand a famine better. These are the reasons why you say that agriculture will not suffer by the development of industries?

A. These and some others, I think.

935. *Q.* A great deal has been said about America not having export duties. Is there any comparison between America and this country? In this country there are recurring famines; every 20 to 15 years there is a famine, and therefore, if there are no export duties in America, that is no reason why we should not have export duties in India. There are famines in our country, and we want to conserve the food grains?

A. My own idea is that America has been allowed quietly to grow. The Americans have been in a position to command circumstances, and have made it necessary for everybody to acquiesce in the development of their country. There is one other thing also. I have all along felt that inadequate irrigational facilities in India is a standing disgrace to the people and to Government. India is very much poorer than America. America is a land of experiments and she can do away with export duties But India cannot. India has been maltreated, so far as I know. Romesh Chandra Dutt, in his book, has stated in clear terms that the East India Company to prevent Indian competition went to the length of having the fingers of certain skilled artisans in India chopped off. This happened simply because the people could not resent the action of Government. So India's conditions are undoubtedly different. India cannot afford to go in for large sacrifices.

936. *Q.* Sir Montagu Webb pointed out to you that there are excise duties in England and he instanced the case of table waters and molasses. Is there any comparison between table waters and molasses and a necessary of life like cotton cloth in this country?

A. Absolutely nothing.

937. *Q.* With regard to your answer to Question No. 13 about shipbuilding, can you give me instances where civilised states have aided the development of the shipbuilding industry? You say that the shipbuilding industry may be instanced as being a new industry which is necessary from both economic and political points of view and for the establishment of which direct state interest and assistance are essential. Can you give an instance where this has been done in countries where there has not been shipbuilding before?

A. I am in a position to give you the information you want. I understand that the O. S. K. Company of Japan received the Government navigation subsidy of 713,729 yen during the year ending 31st December 1920. In June 1921 the Australian Commonwealth Government concluded the new Tasmanian mail contract with Messrs. Huddart and Parker, Limited, and the Union Steamship Company of New Zealand for £30,000 annually (the previous contract was for £15,000 only). This is for services rendered. We have got to remember that these are substantial aids. I cannot confidently state just now whether more than is due is being paid to them, but I suspect that it is. My information will be open to correction. The Argentine Government is known to be pursuing negotiations for purchasing a merchant fleet, including vessels suitable for river navigation. I understand that the Belgian Government is to spend about 21 million francs to recondition and operate the ex-German steamers which were handed to Belgium. I understand that the Australian Government authorised in 1920 an expenditure of £3,000,000 for shipbuilding and the amount is not considered sufficient for the heavy programme that the Government has in view. I further understand that the Canadian Government's mercantile marine at present consists of 47 steamers aggregating roughly 260,000 tons. This progress has been secured through Government protection. I further understand that the Portuguese Government Shipping Bill of 1921 provides for large reductions of duties on all goods imported and exported in Portuguese vessels. I understand also that the Swedish shipping circles are at present advocating strongly Government support of shipping by means of lower railway rates for goods exported through the Swedish lines. I understand that the Spanish Minister of Commerce and Public Works has laid before the Chamber a Bill destined to encourage the shipbuilding industry and the development of maritime traffic under the Spanish flag. The Bill provides for the imposition of duties on foreign built ships and the reduction of import duties on shipbuilding materials and accessories. Moreover a subvention will be granted to each ton of shipping built in Spain within the next 10 years. A subsidy will also be given to Spanish built ships transporting a certain quantity of Spanish products or materials of prime necessity for the needs of the country. The sailing abroad of ships benefiting by these subventions or their utilisation for other needs than those of the country will be prohibited. I also understand that in place of a subvention the Nippon Yushaa Kaisha of Japan will receive a fixed payment for carrying mails for the next three years, the amount being 1,400,000 yen. The Japanese Government has also laid before Parliament a Bill according to which the subsidies to be paid to the T. K. K. and the O. S. K. are to be renewed for a further two years (to the end of 1923), the former Company to receive 1,867,000 yen and 1,819,000 yen and the latter 1,478,000 yen and 1,398,000 yen for the first and second year respectively. I also understand that a member of the American Congress has introduced a bill for the creation of an auxiliary reserve to the navy and thus indirectly a subsidy to the merchant marine. Under this bill Government will enrol all the officers and men in the merchant fleet for the reserve and will pay the members a retainer. I also understand that the Dutch Government has granted the Netherlands South African Steamship Company a sum of 1 million florins per annum for a period of 5 years as a great moral and material benefit has been derived from the regular navigation of the route maintained by the steamers of the Company. I also understand that the French Parliament has voted 200,000,000 francs for the development of the French mercantile marine. I further understand that the Mexican Minister of Finance is proposing to spend 50,000,000 pesos on the purchase and running of a merchant marine. At present the idea is to have a separate line of service between the Gulf of Mexico and the Pacific. The English Government agreed in 1903 to pay to the Cunard Steamship Company an annual subsidy of £75,000 each for the *Mauretania* and the *Lusitania* with penalties should the boats not keep the average speed of 24 to 25 knots per hour under moderate weather. It further agreed to provide £2,600,000 at 2¾ per cent. per annum to meet the cost of building these steamers. I further understand that when it was considered desirable that trade from the West Indies to England should be encouraged the English Government arranged a line of steamers to be started from Jamaica to England mainly with the object of carrying bananas. A subsidy of £40,000 per annum was paid for 10 years from 1901 to 1911. The P. and O. Company received in the year 1913-14 a sum of £305,000 for the carriage of mails between Great Britain, India, China and Australia. I would like to put in a statement of mail contracts that have from time to time been made by the English Government, as also a summary shewing the progress made by Japanese shipping during 1906-1919. [*See below No. 1107.*]

At a very fully attended meeting of the Council of the Chamber of Shipping, after a full discussion of the Safeguarding of Industries Bill, the following resolution was unanimously carried:—firstly, that shipping is a vital key industry; secondly, that it is essential to the maintenance of the British mercantile marine that shipbuilding and ship-repairing materials should be available at the cheapest world price; thirdly, that the exemption of such materials is a vital part of the policy of protection in foreign maritime countries, *e.g.*, United States of America, France, Italy, Japan, Germany and Denmark and that it should form an integral part of any measure that may be adopted by the legislature of this country; fourthly, that action should be taken to secure

the exemption from all import duties of such materials by amendment firstly of the Bill and secondly Government assurance and lastly that it should be referred to the Shipowners Parliamentary Committee to take action and push on.

938. *Q.* These reasons apply with greater force to conditions in India?

A. Yes, to the conditions prevailing in India.

939. *Q.* Now as regards the question of Imperial Preference, I take it that it is good neither to the person giving the preference nor to the person receiving the preference?

A. I think it is good to none.

940. *Mr. Birla.—Q.* Regarding the export duty on food stuffs, do you think that it will affect the consumer favourably by bringing down the cost of living?

A. Yes. The cost of living will be lessened. Generally the consumers will benefit.

941. *Q.* In the note which you sent to the Commission you say that the agriculturists consist of 75 per cent. of the total population of India. May I take it that so far as the agriculturists are concerned, they will also be benefited?

A. Yes.

942. *Q.* Since the cost of living will go down may I take it that the cost of production of food stuffs also will go down naturally and that everybody will be benefited and none will lose?

A. None will lose.

943. *Q.* You know that we import the bulk of our requirements of manufactured articles from other countries and those countries who manufacture our requirements for us have to depend for their raw materials on other countries. You know also that wages in those countries from which we get our requirements of manufactures are very high. Now we have got all natural resources, cheap raw materials, cheap labour. In spite of these things we cannot compete with foreign manufacturers. Is it due to inefficient labour in this country?

A. No, no. I have got to supplement what you said just now. We are not paying for only a single transport, but a double one. We send our raw products from here to England or to some other country. The articles are manufactured there and again sent over to this country, and the cost of this double transport is recovered when the goods are sold in this country. We pay this double cost most unwillingly,—not because we are rich people: we have not even the necessaries of life. We have vast resources, and I believe our labour is second to none either in intelligence or in dexterity.

944. *Q.* I am talking of efficiency, and not dexterity. You may be a very good Principal, but you need not be a good motor-driver?

A. Excuse me. I am a good motor-driver, I can plough and I can drive. I am as good an agriculturist as anyone.

945. *Q.* But you cannot do everything until you are trained?

A. Only a special direction has to be given to my genius. But I am not one of those who cannot be trained.

946. *Q.* You say the labour of this country should be trained?

A. Yes, the training comes very easy.

947. *Q.* So, you say that if there are more industries in this country the labour will become efficient in future?

A. Yes, by practice. If we have the right kind of protection along with technical education, then our labour can compete with any in the world. We are all born efficient, but only opportunities for development are not afforded to all of us.

948. *Q.* Could you say that by training the labourers will get more efficient in this country?

A. Yes.

949. *Q.* You say that if import duties are raised there will be a rise in the price and you say that the rise in the price will be temporary. At the same time you say that it will be covered by a rise in the wages. May I take it that after we have got sufficient industries in this country, the price of our manufactured goods will come down naturally?

A. Ordinarily rise in wages will not come down, and so the labourers' gain will be permanent. As a consumer he may lose, but his loss will be only temporary.

950. *Q.* You say the gain will be permanent and the loss will be temporary?

A. Yes.

951. *Q.* As your own view is inclined toward protection, can you tell us what is the general opinion of the Indians in this country about protection?

A. Thank you very much for this question. I myself wanted to explain the point. I have said that this is a national feeling and that this feeling should not be flouted by reason of the power or the greater influence of Government. If the Fiscal Commission flouts this feeling, it will only bring about anarchy and revolution in the land.

952. *Q.* You know that all the big countries like the United States and Germany have got a protective tariff. Do you know if England built up industries by protection or by free trade?

A. By protection, never by free trade. But England had some very exceptional circumstances in her favour, for example her connection with India, and on that account she has been able to rule in the foreign markets hitherto.

953. *Q.* If there is no protection at all in the infant stage?

A. Then industries would not develop at all.

954. *Q.* England has gone in for protection?

A. Yes.

955. *Q.* As you said more industries in India will also be a sort of check to the famine problem. The Indian Famine Commission was appointed by the Government in 1880 and the report was that "no remedy for the present evils can be complete which does not include the introduction of a diversity of occupation through which surplus population may be drawn from agricultural pursuits and put to find a means of subsistence in manufactures or in some such employment. The report is a very old one. The population of India has increased very much since then. Does the opinion of this Commission which was appointed 40 years ago stand true to-day?

A. Yes. It does stand.

956. *Mr. Mant.—Q.* I have been a little handicapped in studying your interesting paper. I do not know what you mean by term "protection." You say in your first answer "The poverty of the Indian masses and the recurring misery of famine from which they suffer necessitate an energetic policy of industrialisation." I understood you to mean by 'protection' protective tariffs. I would just like you to say how you define the term "protection."

A. According to me the basal idea in protection is the one of discriminating duties in favour of home products. Then there are subsidiary ideas, *e.g.*, the idea of bounties, rebates and drawbacks. Another idea involved in the word protection is that it is not to be limited to manufactures, but should be extended to agriculture, forestry, mining, fishing, shipping, etc. This is the commercial connotation of the word, but this connotation should be modified by the national connotation of the word, namely that this stimulus that has to be given to industries and agriculture and forestry, etc., should be given through the efforts of Government. This is the national idea, that it should be done through Government which gives a national character to it. Our idea should develop from the individual and the family, to the nation and then to humanity in the end. This is to be attained by protection.

957. *Q.* It does not help me in understanding the meaning you apply to the term in your answers. I take it that you say that this policy of industrialisation will be developed by protection, by which you mean not merely a protective tariff, but the whole of your programme?

A. Yes.

958. *Q.* When you speak frequently of protection, you use it in the sense you have explained?

A. Yes.

959. *Q.* Will you explain whether you would not give tariff protection to agriculture?

A. Export duties would be a protection.

960. *Q.* You say export duty on a raw product is a protection to the producer?

A. I have been seeking to make it clear that it is really a protection to the producers because it would mean cheaper food for them, and therefore more energy and more ability to utilise that energy.

961. *Q.* I want you to go into it again. You would protect agriculture by export duties and not by import duties?

A. My scheme of protection is a large one. The Sukkur Barrage scheme is in my opinion a protection

962. *Q.* From the tariff aspect of it you will protect agriculture by an export duty on wheat. We are importing wheat to-day; will you protect agriculture by imposing an import duty?

A. I will always determine my programme according to the conditions.

963. *Q.* As far as the tariff is concerned your protection to agriculture is confined to export duties?

A. It will all depend on the conditions. I would prevent the export of wheat but I would not go in for an import duty on Australian wheat if required for the needs of the country. But if there is any discrimination on the part of Australia I would forego the wheat and would impose a high import duty.

964. *Q.* For the purpose of retaliation you would go in for it, but ordinarily you would not?

A. Yes.

965. *Q.* In your answer to Question No. 9, you say that " India is becoming self-conscious and will insist on having its heritage of agriculture, industry and art of livelihood and life." Do you refer to any tariff policy?

A. I do not for a moment imagine that any real growth in agriculture or industry is possible without a proper arrangement of the tariff of the country. I have always said that there are three sources of national wealth: agriculture, industry, and a sound basis of administration, so that I cannot ignore tariff.

966. *Q.* But you would only apply an import duty on manufactures?

A. Principally, of course.

967. *Q.* I understood you just now to say that you would not apply it to raw products?

A. For obvious grounds I would not.

968. *Q.* This subject of raw products I do not quite follow. I think Sir Edgar Holberton raised the point on Question No. 5, and you said that competition with foreign countries has made India a producer of raw material and food for foreign countries, Do you regard the export of raw products as so bad a thing?

A. In the existing conditions of India I consider it a bad thing.

969. *Q.* You are rather vague when you say " in the existing conditions?"

A. If you would give me any article, I can tell you whether I regard an export duty on it is advisable or not. Take for instance, the export of hides and skins. I said " Do not have any duty on it because experience has shown that India will suffer from it."

970. *Q.* I am not referring to export duties, but to your description of the condition of India; that India is only a mere exporter of raw products.

A. I said " mere producer."

971. *Q.* You know that India is an exporter of raw products. I want to know whether you think that it is a bad thing for her to export raw products?

A. Absolutely it will be a good thing, but relatively it is a bad thing.

972. *Q.* Are you aware, for instance, that the United States of America is the largest exporter of raw products?

A. Because it has now learned to stand on its own legs. Therefore, there is a world of difference between America and India. America is strong and it can export raw materials: we are not strong; we are as I said living a sub-human life like beasts.

973. *Q.* Do you regard export of raw products as a bad thing now?

A. Yes, I do.

974. *Q.* I find the same difficulty in understanding the meaning of the word ' protection ' in your answer to Question No. 14. You say you favour the protection of some industries. Do you mean protective duties?

A. I mean protective import duties.

975. *Q.* Later on in your answer to Question No. 23 you suggest, as far as I follow your argument, that import duties should not be imposed on the necessaries of life and that the manufacture of necessaries of life should be protected even by subsidies if necessary. In your answer to Question No. 12, you say that you favour protection for some industries, and among them you include iron and steel. It means that you would give tariff protection?

A. It means tariff protection and something more.

976. *Q.* It does mean import duties on iron and steel? They are not necessaries of life in your opinion?

A. I do not regard them as necessaries of life. I am not contradicting myself. Please see my answer to Question No. 22. " I would in the large interests of India be willing to accept an increase in price to the Indian consumer for the sake of developing Indian industries." Then I say: " In considering the above question I would have regard to the point whether the protected article was a necessary of life. It is the necessaries of life which every country should try to produce for itself. To depend upon others for necessaries of life is dangerous. If a necessary of life needs to be protected the method of protection might even be that of a direct subsidy or bounty." I do not, therefore, see any contradiction. I propose import duties if necessary.

977. *Q.* In answer to Question No. 14 you say " I would confine protection to industries which are likely after a period to be able to face foreign competition without protection." I want to know how you would select those industries?

A. If you think that your country cannot develop industries except through the positive efforts of Goverment, then a very carefully organised committee or advisory board would be necessary. Of course there would be considerable difficulty in that, but politics is a difficult science and difficulties will have to be met by the probing and subtle intellect of man. I do not think it would be impossible to provide it.

978. *Q.* Can you give a practical recommendation?

A. I have not yet contemplated it, but as a suggestion there is a Department of Commerce and Industry, and I would like this department to be aided by some true representatives who will really voice the feeling of the people.

979. *Q.* But it is not a matter of feeling whether an industry can be established or not. It is a matter of commercial knowledge and experience.

A. I would point out that you are daily coming into contact with people in different departments of life. You can consult other people.

980. *Q.* You say you would give protection to industries which after a period will be able to face foreign competition. Would you take off the protective duty after that period?

A. Yes, at once.

981. *Q.* Do you contemplate protection only for a period?

A. Yes. I do not seek to enfeeble my industries.

982. *Q.* You refer to your knowledge of other countries. Can you give me the instance of one country which has taken off protection after it has been established?

A. These European countries and America have got much corruption, and bribery is largely prevalent.

983. *Q.* You say that comparatively corruption and bribery is not to be feared in this country?

A. Human nature is the same everywhere, but corruption and bribery is practised on a very large scale in Europe and America.

984. *Q.* But protection once established it will be difficult to take it away?

A. I acknowledge it, but I am very optimistic that with India's spiritual ideals sufficient means will be devised to reduce corruption.

985. Q. I do not quite follow your point about foreign trade. You say: that it " is an economic superstition that the prosperity of a country depends on the volume of its foreign trade? "

A. Because I believe that the prosperity of a country depends primarily on the people adjusting themselves to their environment and no production in the proper sense of the term would be possible until this adjustment has accrued to the people of India.

986. *Q.* But you do not regard foreign trade as a bad thing?

A. No. If I can grow to the full extent of my resources, I will certainly go in for foreign trade; not only that, but seek to command foreign markets.

987. *Q.* In speaking of Imperial Preference you say that it will diminish the volume of foreign trade and you regard that as a bad thing?

A. Yes. I would not regard foreign trade as bad; not even Imperial Preference if our conditions admit it.

988. *Q.* I think you argue that protection would reduce the cost of living in India. That is a very abnormal point. Could you explain that point?

A. Yes. I advance Rs. 150 to my servants. They go and buy articles in the bazar and spend the whole thing in a fortnight and come again for another advance. I tell them that I gave them an advance for grain, but they turn round and say " We want to purchase a few articles for our women and the whole thing is

spent." The foreign manufactured cloth that is imported into India is costly. I find that cheap cloth can be had locally. The cloth that I am wearing will cost about Rs. 90 a suit: I know that a Kashmir woollen cloth, of similar kind, will not cost me more than Rs. 35 a suit: I find that Rs. 2 worth of a local article serves the purpose of a foreign article that cost formerly Rs. 4-8-0.

989. *Q.* That argument really is that the imposition of an import duty will make the foreign article so costly that people will take to using cheaper locally made articles?

A. Many qualifications are required.

990. *Q.* That is the drift of your argument?

A. No, my argument is this: here we have got cotton. It is spun into yarn and the yarn is woven into cloth. This cloth is cheap. The cloth that comes here from abroad is very dear. There is another argument in favour of this home industry, and that is the taste of the people is not corrupted.

991. *Q.* I merely want to know how the import duty will reduce the cost of living?

A. I shall give you an instance which has come home to me. A member of my family wears dress made of *Khadi*. The entire dress costs not more than Rs. 20. Similar dress, though of a better quality, of foreign make, costs formerly no less than Rs. 200.

992. *Q.* That may or may not be a sound argument in the case of cloth. Would that apply to all other articles which would be subjected to a protective duty?

A. My instinct tells me so.

993. *Q.* Your argument that protection will reduce the cost of living is a matter of instinct. It is merely your feeling?

A. I hope you understand the relation between reason and instinct.

994. *Q.* I am not sure that I do.

A. I would explain it.

995. *Q.* I do not want to worry about it. There is only one other point that has to be cleared. Mr. Coyajee raised the question as to how Indian industrialization would help to do away with the evil of famines and he gave you an instance in which the failure of the crops led to a reduction in the demand for the manufactured product, and you did not answer because he did not give you sufficient detail. Your idea will be that these raw materials that are produced in India will be manufactured in the country and the manufactures will give employment to a large number of people. That is the idea?

A. Yes, without which economic salvation of India is according to me impossible.

996. *Q.* If you have a famine causing a shortage of raw material, it will be accompanied by distress among the labourers in those manufactures. That is the difficulty that I rather foresee. You will have accentuated the famine conditions instead of helping by these manufactures.

A. I have not understood your question.

997. *Q.* I will make it clear. In the case of famine it is generally failure of crops?

A. General or partial? We contemplate a locality. Famine is never general.

998. *Q.* The industries which you hope to build up, and which we all hope to build up, will be largely occupied in manufacturing the raw material.

A. Let us instance the raw material.

999. *Q.* Take wheat and flour. I put the argument generally. When you have a famine causing a shortage of raw material, will it not simultaneously cause distress in the industries? That was a point put to us by Mr. Price. We would have unemployment in towns as well as famine in the country, and I would like to get an answer to that argument of Mr. Price. I was not altogether convinced.

A. I would give an answer. Supposing famine occurs in a certain locality and the quantity of wheat that is usually grown in that locality comes to be lessened, if the facilities for transport are inadequate the people come to grief, or again if the people have no money to buy wheat with but not otherwise.

1000. *President.*—The question as I understand it is this. Supposing there is a shortage of wheat, the mills cannot work full or even half time.

A. The flour mills in the famine stricken locality or elsewhere too?

1001. *Q.* The flour mills in Karachi, for instance?

A. They depend upon other localities too.

1002. *Q.* Suppose there is famine in the localities from which they get their raw materials and therefore their supply is cut off and they would not be able to work whole time there won't be an adequate supply of wheat and mills cannot work and there will be unemployment among the factory hands.

A. If we have a policy of protection then in course of time our industries will so develop and our agriculture will so develop that such distress as you instance now will not occur.

1003. *Q.* Transport facilities will have so developed that there would be no deficiency of raw material?

A. Yes.

1004. *Mr. Jamnadas Dwarkadas.*—*Q.* You are, Mr. Shahani, an out and out and strong protectionist?

A. Yes.

1005. *Q.* You have expressed yourself so strongly in favour of protection that you have gone to the length of saying that the consequences of not adopting protection would be disastrous?

A. Yes.

1006. *Q.* Now, from that I infer that you belong to that school of thought (which is really a very important school of thought in India) which believes that at the bottom of the discontent that prevails in India there is this economic distress?

A. Yes.

1007. *Q.* And it is necessary to remove this economic distress, and you believe that it can to a very large extent be removed by adopting the policy of protection?

A. Yes.

1008. *Q.* You also heard the arguments against protection advanced by witnesses here, and the main arguments are that it would deal a blow to the interests of agriculturists?

A. I do not believe in that.

1009. *Q.* Is it your impression, Professor Shahani, if I may put it in this way, that the arguments against protection that are advanced generally are either exaggerated or imaginary?

A. Yes.

1010. *Q.* You talked of the economic distress that is at the bottom of the discontent. There has been up to now no adoption of the policy of protection?

A. No; except for the last two years due to the exigencies of Government on account of the war.

1011. *Q.* I am talking of the period before the war since the advent of the British rule. Don't you think that if a policy of protection had been adopted long ago, the prosperity of the country would have increased?

A. Undoubtedly, but there are other circumstances too. The people were not so conscious as they are now, and the education had been defective.

1012. *Q.* Anyhow don't you believe that if India had a voice in settling the fiscal policy, the policy of protection would have been adopted long ago?

A. Yes.

1013. *Q.* And not adopting that policy has done lot of harm?

A. It has been extremely injurious to India.

1014. *Q.* Is it not your opinion, Professor Shahani, that the fiscal policy has more or less been dictated in India in the interests of Lancashire rather than of India?

A. Evidently in the interests of Lancashire. Indian interests are not represented.

1015. *Q.* Do you think now that India has a voice and the time has come when our interests should have primary consideration?

A. Yes, our interests will have to be given the primary consideration.

1016. *Q.* The argument against the policy of protection is that it is for the preservation of the interests of agriculture?

A. Which will not avail.

1017. *Q.* The tests of the material prosperity of the country are whether agriculture has flourished, whether industries have flourished and whether wealth has increased?

A. And whether the financial administration has been sound.

1018. *Q.* Do you think that in the absence of a policy of protection, or during the period that it was adopted up to now, all these tests have been satisfied in the least? Do you think that agriculture of the country has flourished?

A. No.

1019. *Q.* Has the condition of the masses of the agricultural population been an ideal one?

A. It has been distinctly bad.

1020. *Q.* That is the opinion of even Government officials?

A. When I talk of the harm that is done to India, I do not forget that even these very masses have come to be educated by contact with the Westerners.

1021. *Q.* Mr. Morarjee asked you a question whether you consider this 11 per cent. duty on imported cloth too much and your answer was that it was not?

A. Yes.

1022. *Q.* I want to put it to you this way. Is it really protection to the industry to the extent of 11 per cent.? There is the 3½ per cent. countervailing excise duty. Over and above that you have to pay duty on machinery, stores, and you have also to import foreign labour to a certain extent. Does it not minimise the extent of the protection that we get?

A. Certainly.

1023. *Q.* And if no import duty was imposed or if, as was the case before the war, there was only 3½ duty and there was a corresponding excise duty, don't you think it is protection in favour of imported cloth?

A. Yes.

1924. *Q.* Now the 11 per cent. duty is not really 11 per cent. but it is only nominal?

A. Yes.

1025. *Q.* Really it is much less than 11 per cent.

A. Minus 3½ per cent. excise duty.

1026. *Q.* In your opinion if Indian industry has to be properly developed, there is room for a good deal more duty on imports?

A. Certainly. I shall be proposing it.

1027. *Q.* Now, in answer to a question from Mr. Seshagiri Ayyar, you elaborated the results of protection and you said that the country would be more wealthy and therefore there would be more staying power in the people, more money would be available and there would be greater purchasing power and there would be better transport facilities and that irrigation policy would be adopted on a much larger scale. Don't you also think that up to now, what is known as scientific agriculture has not been applied in India?

A. Not at all.

1028. *Q.* In one of your answers you have referred to Dr. J. C. Bose and that reminded me of the theory that Dr. J. C. Bose has advanced and successfully proved, that it is possible by applying his theory to increase your crops to a very large extent, more than double. Don't you think there is room for the application of these theories and for experimenting on them?

A. Yes. Protection includes experimental stations, and scientific and technical appliances.

1029. *Q.* If these theories were properly applied and experiments continued with the help of Government, don't you think that all these arguments about the blow to agricultural interests become entirely illusory?

A. Yes.

1030. *Q.* And that they deserve no consideration?

A. No. It is as a matter of fact agreed by those who have studied the industrial growth of the different countries that protection is the only way in which India can secure her economic salvation.

1031. *Q.* Now, I come to the question that Sir Montagu Webb put to you and which was referred to again by Mr. Seshagiri Ayyar about the excise duty in India. Mr. Seshagiri Ayyar tried to prove that the articles were entirely of a different character. There is no comparison between the excise duty which is levied for revenue purposes and the excise duty levied for the purpose of giving protection to foreign cloth?

A. No.

1032. *Q.* Now, Mr. Birla referred to the policy of England and he asked you a question as to whether England has ever adopted protection. I do not remember what answer you gave him.

A. I said "Yes."

1033. *Q.* If you have read the history of the fiscal policy of England, are you aware that at a time when England began to manufacture cloth, it was looked upon as a crime punishable by penal servitude to import cloth *from* outside England?

A. I do not remember that.

1034. *Q.* I can tell you that that was so.

A. Very well.

1035. *Q.* Now you will admit that raw materials are the real wealth of the country?

A. Yes.

1036. *Q.* But that if these raw materials are left unmanufactured, they are useless for the purposes of the country and that if they go to foreign countries and if they are sent back here in the shape of manufactured articles, and if we have to pay much more for them than we realised when we exported them, then these raw materials are a source of great loss instead of income to the country?

A. Yes.

1037. *Q.* Don't you think it is necessary that every help should be given, so that these raw materials can be manufactured into useful articles in the country itself?

A. I am certainly of that opinion.

1038. *Q.* Take one instance. Myrabolams are exported in very large quantities at prices which are negligible. You cannot even mention the price. These myrabolams are turned into tannic acid in the foreign countries and are exported back to India and sold at Rs. 1-5-0 a lb. If we could manufacture tannic acid here in factories, don't you think it would be more saving to India?

A. As a matter of fact it is one of the most essential of industries in India.

1039. *Q.* So that you come to the conclusion that unless raw materials are manufactured in India, the wealth of the country will not increase?

A. It can never increase.

1040. *Q.* And that that can only be done by a policy of protection?

A. Yes.

1041. *Q.* Now, I think it was Sir Montagu Webb who asked you whether you did not think that industrial development in England was overdone—at least he was of that view himself.

A. Yes, it is just the same thing as saying that the agricultural development is not adequate for the people.

1042. *Q.* Don't you believe that the industrial development in India is so underdone that it is hardly necessary for us even to consider?

A. I have said so.

1043. *Q.* Now, in answer to a question from the President you said that conflicts are not likely to arise if Government is properly constituted?

A. Yes.

1044. *Q.* Can you elaborate that answer? What do you mean by saying that the Government should be properly constituted?

A. For instance there is a general feeling based on a consideration of statistics, facts and figures, that the mill owners of Ahmedabad are realising large profits. if true, I would for the purposes of the State at once put a tax upon the profits.

1045. *Q.* Even if there are dangers of these conflicts arising, they can be checked by legislation?

A. Yes, most surely.

1046. *Q.* That is quite an easy thing to do in India?

A. Yes, provided you have true representatives.

1047. *Q.* In answer to a question from the President you said that you would make it a condition precedent to buying stores of articles from foreign countries that they should train up our young men in the industries?

A. Yes.

1048. *Q.* Do you remember that a resolution to that effect was moved in the Assembly by Sir Vithaldas Thackersey?

A. Yes.

1049. *Q.* Don't you think that there was a feeling in the Assembly in favour of that?

A. Yes, certainly.

1050. *Q.* You remember that the Government, through Mr. Chatterjee, gave an assurance that that would be done?

A. Yes.

1051. *Q.* In answer to Question No. 29, about the organization for investigating the claims of industries, can you suggest a permanent Organization representing truly Indian interests for investigating the claims of various industries to protection from time to time and for the periodical readjustment of various rates? I take it that you suggest the existence of such an organization for the purpose of investigating the claims of industries which require protection, as to what industries have reached a stage where protection is no longer necessary or whether it can be gradually reduced?

A. Yes.

1052. *Q.* The existence of an organization like that would minimise the dangers if a policy of protection is adopted?

A. Yes.

1053. *Q.* So you want to suggest safeguards even for such few dangers as might arise?

A. Quite right.

1054. *Q.* And your object in suggesting protection is not at all to favour a class?

A. Not a bit.

1055. *Q.* It is only because you think it is necessary in the interests of the masses of the people of India?

A. Quite right.

(*The Committee at this stage adjourned for the day at 5-30 p.m.*)

1056. *Sir Maneckjee Dadabhoy.*—*Q.* I understand that your programme of Protection necessarily connotes the advancement of agricultural and technical instruction. Is it not?

A. Yes.

1057. *Q.* The logical consequence of this would be, in your opinion, not to impose an import duty on agricultural implements?

A. Certainly it would. Also all machinery required for forestry, etc.

1058. *Q.* You said that you would bargain with manufacturers and that you would insist on the technical instruction of Indian students?

A. Yes. I said so.

1059. *Q.* Am I to understand that you would like Government in purchasing machinery from English firms to put down terms with regard to the taking in of Indian students?

A. Yes. That is my intention.

1060. *Q.* In one of your answers you said that your term "monopoly" includes quasi-monopoly also. Am I to understand that wherever you have used the word "monopoly" in your statement the Commission should take it to include quasi-monopoly also?

A. I presume with the necessary modifications in consequence.

1061. *Q.* Would you recommend that all industries started in the country for agricultural implements and machinery should be given an artificial impetus or support?

A. I would.

1062. *Q.* Sir Edgar Holberton raised the point in his cross-examination that a policy of industrialisation would not be of immediate utility to the masses, and would retard indirectly the progress of agriculture. Has not a beginning to be made at some time?

A. It must be immediately made, according to me.

1063. *Q.* Would not the progress depend upon the nature of the means employed?

A. Most certainly.

1064. *Q.* Other nations who introduced protection had to make similar sacrifices at the start?

A. Invariably.

1065. *Q.* Sir Montagu Webb raised the question that the concentration of a large number of people in industries would lead to a diminution in the growth of foodstuffs and indirectly to a shortage of foodstuffs. Has there been a serious shortage of foodstuffs in all parts of India at one and the same time to your knowledge?

A. No.

1066. *Q.* Even if there was a shortage of food-stuffs in one part of the country, food-stuffs could be immediately transported from other parts provided that transport arrangements are sound?

A. Yes; and provided there is money also.

1067. *Q.* I will conclude then from these suggestions that according to you it is erroneous to presume that a policy of Protection would cause a famine in India?

A. Yes. Very erroneous.

1068. *Q.* Would not the quantity of food-stuffs ultimately increase through a policy of Protection through the aid of judicious export duties?

A. Yes. According to me it is indisputable.

1069. *Q.* There was something said about the diminution of labour by the introduction of labour-saving appliances. Giving a sort of aid to industries which produce labour-saving appliances would diminish to a certain extent the labour question also?

A. Yes, that would be a compensatory agency.

1070. *Q.* Would not the export duty have the effect of lowering the prices of food-stuffs?

A. Yes. It will.

1071. *Q.* Sir Montagu Webb pointed out that large industrial works, jute factories, electrical works, cotton mills and such concerns in big cities like Calcutta and Bombay have come into existence without a policy of Protection. Do you think that these industrial concerns which have already been started in the country are commensurate with the resources and size of India?

A. Not at all.

1072. *Q.* Don't you think that if a policy of Protection had been adopted some time ago these works could have been multiplied considerably?

A. Infinitely, I would say, although that may mean some exaggeration.

1073. *Q.* Do you think that our progress needs acceleration by external aid?

A. Most distinctly.

1074. *Q.* Do you think that the agricultural industry of India is capable of keeping the millions of the Indian population in comfort just at present?

A. As it exists at present I do not think so. It should be developed.

1075. *Q.* The most effective way of developing it is by means of irrigation works?

A. Yes.

1076. *Q.* As you are a student of history I am asking you: Can you cite a single instance of any country in the world which has become great without the development of industries?

A. Impossible.

1077. *Q.* You cannot cite a single instance of a country that has become great solely by agriculture?

A. No. Denmark was instanced but wrongly.

1078. *Q.* Do you think that a reasonable increase in the duty on jute would affect the cultivation of jute?

A. I do not think so.

1079. *Q.* Will a moderate duty on hides and skins, with a rebate to the Empire, prejudicially affect the hides and skins industry of the country?

A. I have got several friends who are engaged in this industry. They assure me that it will be prejudicially affected.

1080. *Q.* In answer to Question No. 42 you stated that you would be content with home markets?

A. Yes, under existing conditions.

1081. *Q.* Am I to understand that your definition of the term "home markets" includes Empire markets as well?

A. No. Only the Indian markets. The component parts of the Empire are denying to Indians equal rights of property, equal rights of citizenship, trade licences, etc. In some the Indians are not even allowed to use the trunk roads that are used by the white men. Under these conditions it will be disgraceful on the part of India to show any concession whatever to the Empire. I understand that even in England an Indian would never be allowed to purchase any shares in a shipping concern. If it is so, we ought to take good care to see that even England does not benefit at the cost of India. There must be equal treatment, otherwise concessions should become impossible.

1082. *Q.* Sir Montagu Webb yesterday referred you to the large profits made by the mill industry. Do you know that these large profits are declared on the Ordinary capital and debenture loans, and that if working capital is taken into consideration these profits would not look so large?

A. My immediate pursuit has not permitted me to study the nature of the excessive profits that are realised by the mill-owners. What I have said is that if the profits should be atrociously large, there should be some Government or other machinery in India to undo the atrocity.

1083. *Q.* You are aware that the mill industry of Bombay had cycles of very bad years, and that if you take the average profits of the mill industry of Bombay for the last 20 years, they will not appear substantially large?

A. I don't know personally.

1084. *Q.* Don't you think that the present prosperity of the mill industry of Bombay is merely transitional and that as soon as normal conditions are restored in Europe and Lancashire these profits will not stay?

A. I do not know what would be deemed normal conditions in India. Lancashire is seeking to have a countervailing excise duty imposed upon the Indian manufactured goods. This appears to me unparalleled in history, this seeking Protection not from its own Government but from a foreign Government and this will not be normal. If such a condition of things is not allowed to come into being the profits of the mill-owners may continue to be large, not only in the case of

these mill industries but other industries that may come to be started in India. If we develop on the lines on which we should we might consider these excessive profits as normal profits.

1085. *Q.* In Mr. Jamnadas' examination yesterday, in referring to the Ahmedabad mills you said that the Ahmedabad mills made fabulous profits. Do you recommend a tax on profits?

A. I have never said so.

1086. *Q.* You have said that you would impose a tax on profits.

A. On excessive profits; atrociously large profits. You can only limit the profits.

1087. *Q.* You would like to limit the profits by putting a tax on profits. Now, as an economist, are you not aware that any tax on the profits of an industry would kill and handicap that industry?

A. I would agree to that. If the profits be reduced to a reasonable extent I would not imagine that the industry will be killed.

1088. *Q.* I will give you a parallel case. Are you aware that the Excess Profits Tax has crippled the English industry?

A. I know.

1089. *Q.* Within the last three years that tax has been considerably reduced. You might have also read that the Chancellor of the Exchequer last year promised the abolition of the duty at the earliest possible moment. It has affected the English industry prejudicially.

A. I would be against any imposition calculated to that tendency.

1090. *Q.* Then, under these conditions you would not recommend a tax on profits?

A. I used the phrse "atrociously large."

1091. *Q.* I see that you make a strong point of the development of irrigation works. Is it not a fact that we are not able to find the capital for this purpose on account of the economic position?

A. I think the flow of capital to productive sources is not sufficiently stimulated. I think it is Mr. Chiozza Money who estimated the national wealth per head in England at £45 and in India at Rs. 65. My idea is that the estimate for India is rather high and that it would be about Rs. 45 per head. Rs. 45 multiplied by 30 crores of people would give you about 1,400 crores.

1092. *Q.* Minus the cost of living?

A. Of course. So that we in India are not so handicapped as is sometimes represented with regard to capital. Should adequate capital be not forthcoming, we can go in for foreign capital, preferably English capital, to which we are to some extent indebted, only taking good care to see that the control of the capital is not transferred to hands which will not be guided by a sufficiently sympathetic mind.

1093. *Q.* Would it not follow from this that even if industries are developed a surplus will be found for agriculture?

A. Yes.

1094. *Q.* Then in this way a protective policy will aid the growth of agriculture and will also stimulate the protection of food-stuffs?

A. Yes. My conviction is that this is the only aid.

1095. *Q.* I could not exactly gather, but I presume that I am right in thinking that you are not against the introduction of foreign capital in this country?

A. No. Only within the limit which I have just now indicated.

1096. *Q.* You only desire that all manner of impetus should be given for the Indian capital to be invested in industries, but you don't object to foreign capital?

A. Not only that. I would be friendly in spirit.

1097. *Q.* Nor would you object to foreign and Indian capital being combined in this country for the promotion of industries?

A. Certainly not.

1098. *Q.* Am I right in concluding that your opinion is that we should manufacture every ounce of the raw material available in this country which we possibly can, and export the rest?

A. Yes.

1099. *Q.* Sir Montagu Webb yesterday drew your attention to the imposition of excise duties in England. Those excise duties are imposed for revenue purposes. They are not countervailing duties in the sense in which they are imposed in this country as a protection to the Lancashire industry. There is a difference between the excise duty imposed in England and in this country. In England it is purely for revenue purposes. In India it is a countervailing excise for the Protection of the Lancashire industry, and as such it is objectionable?

A. Lancashire up to the time that import duties on Lancashire piecegoods were imposed enjoyed protection against India, not at the hands of its own Government, but at the hands of the Indian Government, which was possible only on account of the dependent condition of India. When tax was imposed in 1917 there was great excitement in Lancashire and even now there is great clamour for its removal. Mr. Lloyd George justified the imposition in 1917 on the following grounds: firstly, that the tax would enable India to give the contribution of £100,000,000 to the war; secondly, that it would thrill India and send a wave of loyalty throughout the country which was understood to be a great asset at that time, and thirdly, that it was a great act of justice that was long delayed. Mr. Lloyd George curiously enough told the Lancashire objectors that the whole question would be re-considered after the war, and that but for the war they would have had an unanswerable case. As against that it is contended firstly, if it is an act of justice, how could it be revised after the war, secondly, how could Lancashire have an unanswerable case but for the war against an act of justice. The excise duties levied in England on cigars, table waters and molasses, etc., mentioned by Sir Montagu Webb, are probably of recent origin, and were probably imposed merely for revenue purposes to meet a tremendous deficit. In any case they were not imposed in the interests of a foreign manufacturer or with the idea of encouraging the home manufacturer in the race against the foreign manufacturer, and I request that this fact be noted.

1100. *Q.* You spoke about the shipping industry. Am I to understand that much capital will not be available for the shipping industry unless some sort of Protection by subsidy, etc., is afforded to it?

A. Yes. Without Protection the Industry cannot come into being.

1101. *Q.* Have you any suggestions as regards the development of coasting and international trade?

A. I think my suggestions would be in the shape of the different items of Protection suggested by me.

1102. *Q.* Will you please make it clear?

A. Subsidies, bounties, and contracts, and prohibitory regulations and discriminating tonnage rules, restricting the coastal trade to our own bottoms. Companies may be started in India with purely Indian capital or with English capital combined.

1103. *Sir Edgar Holberton. Q.* Yesterday there was some difference of opinion on the subject of the export duties in the United States. I happen to have a book* here which says that the constitution was set up in the year 1789. According to this book 3 limitations were put:—

(1) The duties, imposts and excises must be uniform throughout the United States;

(2) Direct taxes will be in proportion to the population;

(3) No export duties shall be imposed by the Congress.

A. I have looked up the point myself and I find that I omitted to take into account in my answer the nature of the constitution of America. However, the constitution of the United States, so far as I see, is a political document and it is not on economic grounds that this prohibition has been conceived and executed. Even though the constitution forbids export duties there is at present a strong and growing tendency not to send out raw material but to manufacture it and then export the manufactured goods. The export of cotton cloth has greatly increased of late from the United States, and the export of raw cotton has correspondingly declined. There is understood to be considerable nervousness in Lancashire itself as to the future supplies of raw cotton from America. There is a tendency in America to prevent the export of the raw material, but it is very difficult for the Americans to change their constitution for which the consent of three-fourths will be required. Should this point be in any manner essential or should anything depend upon the determination of this point, if you will give me time and call me hereafter, I believe I can give a most conclusive reply to the objection that has been taken to my statement.

1104. *Q.* There is no objection. It is simply a question of fact that according to the political constitution of America export duties are forbidden.

1105. *Sir Montagu Webb.—Q.* In reply to Sir Maneckjee Dadabhoy you stated that so far as your

*Dewey's "Financial history of the United States."

information went Indians were not permitted to purchase shares in English shipping companies. Is that a general statement or does it refer to only one or two companies?

A. I anticipated a question to this effect. I shall read to you these few lines: The Merchant Shipping Act of 1894 says: "A ship shall not be deemed to be a British ship unless owned firstly, by natural born British subjects, secondly, naturalised persons, thirdly descendants, that is to say foreigners admitted to residence and certain rights, fourthly, corporations having their principal places of business in the British dominions. A natural born subject or citizen of foreign State or naturalised person or descendant cannot own a British ship until he has taken the oath of allegiance to the sovereign and resides in or is a partner in a firm carrying on business in the British dominions."

1106. *Q.* It is merely a definition of a British ship. I am told, Mr. Shahani, that there is no objection whatever to Indians having shares in companies.

A. I am glad to receive that assurance. But it is contrary to what I have read.

1107. *Mr. Jamnadas Dwarkadas.*—*Q.* British subjects are allowed to take shares.

A. Thank you for the correction. I may tell you that my answer might have been slightly academic.

(Statements referred to in No. 937)

Mail Contracts of the British Government.

Service.	Steamship Co.	Payment during the year 1913-14.
		£
Dover and Calais, and Folkstone and Boulogne	S. E. and C. R. Co.	40,374
United Kingdom to U. S. A.	Cunard Line	68,033
	White Star Line	73,723
	American Line	5,712
U. K. and West Indies	Royal Mail S. P. Co.	63,000
Southampton to Brazil and River Plate	R. M. S. P. Co.	21,002
Brindisi and Bombay Shanghai and Adelaide	P. and O. S. N. Co.	305,000
U. K. and Canada, Japan and Hongkong	C. P. R. Co.	45,000

Summary of Fourteen Years Working of Japanese Shipping.

Year.	No. of Cos.	Paid up Capital.	Vessels.		Receipts.			Net earnings.
			No.	Tons gross.	Earnings.	Miscellaneous receipts.	Shipping subsidies and bounties.	
		£			£	£	£	£
1906	13	4,316,700	344	491,258	3,269,965	398,394	492,728	401,517
1907	16	5,713,517	537	527,766	3,883,272	387,199	835,503	441,415
1908	18	5,927,150	543	564,179	3,877,347	209,695	862,339	384,713
1909	20	6,005,018	538	575,872	3,748,770	187,796	1,106,430	428,075
1910	20	6,144,257	535	600,042	4,089,140	203,809	1,161,066	771,009
1911	20	6,163,630	454	648,866	4,489,431	222,272	1,221,594	864,944
1912	18	6,065,101	419	702,738	5,190,030	263,978	1,185,160	1,033,977
1913	23	6,248,400	582	785,190	5,963,042	324,213	1,152,195	1,570,382
1914	24	6,525,800	578	841,931	5,796,573	336,269	1,123,067	1,259,082
1915	24	6,579,650	608	895,615	7,584,541	588,763	840,645	2,145,085
1916	28	8,047,500	603	980,793	15,190,436	567,480	724,849	6,311,017
1917	52	17,420,000	803	1,127,483	29,513,179	2,392,110	681,933	14,314,307
1918	65	26,988,250	1496	1,386,642	63,845,195	2,631,408	607,283	21,844,380
1919	56	26,932,827	1542	1,397,813	56,457,500	3,308,671	555,825	10,129,098

Year.	Amount brought over from the preceding year.	Distribution.			Rate of dividend per cent.
		Reserve.	Bonuses.	Amount of dividends.	
	£	£	£	£	£
1906	162,055	33,315	67,870	398,741	9·23
1907	85,428	41,789	21,944	435,455	7·37
1908	50,860	40,804	23,498	421,030	7·10
1909	48,064	37,615	21,525	377,364	6·28
1910	44,217	179,901	23,680	395,338	6·43
1911	123,390	286,885	29,138	485,444	7·87
1912	214,252	515,096	38,294	552,697	9·11
1913	141,282	866,516	42,566	588,473	9·41
1914	212,757	698,669	45,477	529,652	8·11
1915	178,048	1,186,954	88,905	862,159	13·10
1916	217,732	1,580,326	206,285	2,336,035	26·11
1917	2,498,728	7,908,031	594,094	7,200,464	41·33
1918	1,084,407	9,803,265	533,116	9,717,456	36·00
1919	1,868,778	4,765,187	325,932	7,530,932	27·96

Witness No. 7.

Mr. B. F. JONES, (Member, Karachi Chamber of Commerce).

Written statement dated the 18th November 1921.

1108. *Q.* 61. Wool.—To the United Kingdom.

1109. *Q.* 62. Not interested.

1110 *Q.* 63. No reply necessary as there is no export duty on wool.

1111. *Q.* 64. Practically all the wool exported from India goes to the United Kingdom where no duty is imposed. The bulk of such wool is used in the United Kingdom. A certain proportion is re-exported to the Continent and America, but I do not consider any action to reduce or abolish such duties as may be imposed in those countries is feasible.

1112. *Q.* 66. The absence of duty on wool into the United Kingdom stimulates the export to that country.

Supplementary.

I am not in favour of any export duty on wool. India produces a large quantity of wool only a very small proportion of which can be used in this country. The balance must be exported. The imposition of an export duty would tend to restrict the export as it would raise the price in the importing country and thus make it more difficult to compete with wool imported into that country from other sources.

It is in the interests of the wool producer in this country to free the trade from any restrictions.

1113. *Q.* 70. *Piece-goods.*—From the United Kingdom chiefly.

1114. *Q.* 71. In 1916 the duty on piece-goods was 3½ per cent., and it has since been raised to 11 per cent. The effect of the increase has been to restrict the trade.

1115. *Q.* 72. Yes. Any further increase in the tariff rates would further restrict the trade. The trade in imported piece-goods is already handicapped to the extent of 7½ per cent. against the goods manufactured in India.

1116. *Q.* 73. The effect under (*a*), (*b*) and (*c*) and particularly under (*c*) would be to stimulate to a certain extent the imports of British goods.

1117. *Q.* 74. I would recommend that the Empire be treated as a unit. Any differentiation between one part of the Empire and another, would be likely to lead to dissension.

1118. *Q.* 75. I do not see how Imperial Preference could possibly *increase* the total import of any class of goods. On the contrary it would be likely to decrease it for the reason that preference would very possibly lead to retaliation by foreign countries on India's exports to those countries, thus diminishing India's exports—and a diminished export trade from India would re-act unfavourably on the import trade.

1119. *Q.* 76. Yes, very likely, in the way of retaliation against India's export trade.

1120. *Q.* 77. I am not in favour of Protection or Imperial Preference but if a policy of Protection were to be adopted in India then I would be in favour of Imperial Preference being included as a part of the scheme. Speaking for the import trade in textiles Imperial Preference does not seem necessary. In spite of equal duties Great Britain has maintained the lead, and a long lead, in the matter of export of textiles to India and seems likely to maintain it. Protected countries, owing to the high cost of production, have found it difficult to compete in the ordinary textiles which form the great bulk of India's imports, though they have certain specialities which find a market in India.

1121. *Q.* 78. I am in favour of *ad valorem* for piece-goods, but there are a number of other articles which can suitably come under a tariff valuation and thus simplify the work of the Customs and importers. The present system does not appear to require any change.

Oral evidence, Karachi, Wednesday, the 30th November 1921.

1122. *President.*—*Q.* You are interested in the wool export trade?

A. I am.

1123. *Q.* In answer to Question No. 64 you say "Practically all the wool exported from India goes to the United Kingdom where no duty is imposed. The bulk of such wool is used in the United Kingdom. A certain proportion is re-exported to the Continent and America, but I do not consider any action to reduce or abolish such duties as may be imposed in those countries is feasible." Do I understand you to say that there is no direct export trade to any other country except to the United Kingdom?

A. Very little.

1124. *Q.* Can you give us an indication of the percentage of that trade?

A. A little goes to America and possibly in very small quantities to one or two other countries, but the great bulk goes to the United Kingdom.

1125. *Q.* But the percentage is negligible?

A. Negligible.

1126. *Q.* In your supplementary statement you say that only a small proportion of the wool produced in this country can be used for manufacturing purposes in this country. May I know why you say so?

A. Because there are only a few mills in India.

1127. Q. If more mills were erected, is it or is it not possible to use a larger proportion?

A. If there are sufficient mills in the country, yes, it would be.

1128. *Q.* Supposing that consumption can be brought about by a tariff protection to the wool manufacturing industry, would you be in favour of it?

A. No, not by tariff protection. If you can develop the industry in a natural way,—yes.

1129. *Q.* You say "India produces a large quantity of wool only a very small proportion of which can be used in this country. The balance must be exported." The balance *must be exported*, because it has not been possible under the free trade principles which have prevailed in India so far to erect sufficient factories to manufacture all the wool produced. At present there are not sufficient factories: they have not come into existence because Indian industrial development has been on a natural basis?

A. I do not see that that is the reason why they have not sprung up. There may be other reasons,—lack of enterprise, etc.

1130. *Q.* Do you say that an import duty will expedite the construction of factories to manufacture wool?

A. It may.

1131. *Sir Edgar Holberton. Q.* What is the export trade of wool in India?

A. In Karachi it is roughly Rs. 2½ crores, and I think somewhere about the same in Bombay.

1132. *Q.* Now, supposing that the tendency under a system of protection were to put up more mills in India, would it in your opinion bring more to the producer of the wool? Would the producer profit thereby?

A. The wool producer would certainly profit if the demand increased.

1133. *Q.* You mean he will be likely to get more from an Indian mill than he can get from a purchaser for export?

A. It is very difficult to say.

1134. *Q.* It is a matter of doubt from the point of view of the producer?

A. Yes.

1135. *Mr. Narottam Morarjee.*—*Q.* In reply to Sir Edgar you said that you cannot be sure whether the Indian producer of wool would make more money if mills were started in India. But will not the price he gets depend upon supply and demand and the prices ruling all over the world?

A. Yes.

1136. *Q.* You say in answer to Question No. 71 "In 1916 the duty on piece-goods was 3½ per cent. and it has since been raised to 11 per cent. The effect of the increase has been to restrict the trade." According to the "Review of the Trade of India for 1920-21," "The total imports of cotton manufactures increased considerably in value, from Rs. 59 crores in 1919-20 to Rs. 102 crores in 1920-21, as compared with Rs. 66 crores in 1913-14. These values represent respectively 28, 30 and 36 per cent. of India's total imports during each of the three years specified." Besides, in quantity too, the 1063·6 million yards of 1919-20 have grown to 1491·3 million yards of cotton piece-goods in 1920-21. Therefore, if you say that owing to this increase in duty there has been a reduction of imports, you are not correct.

A. This is a review of the trade of the whole of India. My own experience has been that our trade has been restricted in quantity. Our business has fallen off due to some extent to the rise in duty.

1137. *Q.* I will also read out to you the figures for the import of cotton twist and yarn. "Imports of cotton twist and yarn decreased slightly in average values, from Rs. 2-14-2 per lb. in 1919-20 to Rs. 2-13-11 in 1920-21, as compared with 15 annas 1 pie in 1913-14; but increased enormously in quantity, from 15 million lbs. in 1919-20 to 47 million lbs." So that there has been a small decrease in value but an enormous increase in quantity.

A. There were peculiar conditions existing. For some years during the war India was short of goods and a sudden demand sprang up as soon as the war was over and due to other causes such as exchange the import of textiles very remarkably increased. But these were abnormal conditions.

1138. *Q.* But these abnormal conditions were also in operation all over the world. Why did they run short time in America and Lancashire?

A. The duty is there as one of the causes.

1139. *Q.* Now, you advocate Imperial Preference; do you do so in the interests of British goods?

A. I say in my written statement that I am not in favour of Imperial Preference, unless a policy of protection in India is determined upon.

1140. *Q.* But don't you think that Imperial Preference would mean a diminution in the import trade of India?

A. It depends on what form Imperial Preference takes. If you say that Imperial Preference would mean putting on a heavier duty on foreign goods and abolishing duties on goods from the Empire, then the imports from the Empire would increase, and, no doubt considerably; but if it means only a slightly differential rate as against other foreign countries the effect might not be very marked.

1141. *Q.* You are therefore not in favour of Imperial Preference?

A. Except, as I say, as part and parcel of a protective system. I am not in favour of Imperial Preference on general grounds. I say in my written statement that if a policy of protection were adopted in India, then I would be in favour of a system of Imperial Preference.

1142. *Sir Montagu Webb.* *Q.* In your supplementary statement you say "I am not in favour of any export duty on wool" and you give as the reason that it will restrict export. Do you think it would have any effect on the price of wool in this country? It should be one of two things: it would raise the price at home or it would force down the price in this country. Which do you think would be most likely to occur?

A. I say the probability is that it would force down the price of wool in this country.

1143. *Q.* Because India has not got a monopoly of the world's wool supply?

A. Yes.

1144. *Q.* Can you conceive any circumstance under which it would be an advantage to the producer of wool in this country to have prices forced down by an export duty?

A. No.

1145. *Q.* It has been suggested to this Commission that if the prices of raw products in this country were lowered it would be a great advantage to the industries in this country, *i.e.*, it would enable woollen mills to produce manufactured goods at a lower price than they otherwise would be able. Do you think that would be an advantage to this country?

A. It would simply bring more profit to the existing mills in India at the expense of the producer of the wool.

1146. *Q.* It would give profit to the mill-owner at the expense of the wool producer. Then, you think that the effect of an export duty would be merely to encourage one lot of traders at the expense of another lot of traders?

A. Yes.

1147. *Q.* With regard to the import trade you consider that the increase of the import duty has tended to check foreign imports of piece-goods?

A. That has been the tendency.

1148. *Q.* Do you think that the imposition of an import duty on piece-goods gives any advantage to the Indian manufacturer of piece-goods?

A. Undoubtedly.

1149. *Q.* In what way?

A. It is protecting him.

1150. *Q.* How do you think he takes advantage of the protection?

A. By raising the price more or less to the level of the imported article as far as he can.

1151. *Q.* Then, you think that the effect of an import duty is to enable the Indian manufacturer to raise his prices approximately to the level of the prices of the imported goods. So, the effect of the duty is not to make piece-goods any way cheaper for the consumer, but to put more profit into the hands of the mill-owner?

A. Quite so.

1152. *Q.* Has the duty any other effect?

A. It has that effect as regards the mill-owner. If the duty is not necessary for revenue purposes it might be abolished.

1153. *Q.* Inasmuch as the mill-owner is getting advantage of this duty, would you not recommend that the duty be continued or increased? It is certainly an advantage to an Indian industry?

A. Certainly, yes; but it is simply raising the price of the products of the Indian mills in India at the expense of the general population of India.

1154. *Q.* So, we come back to much the same result as in the case of wool. You consider that the effect of the import duty is to stimulate the industrialists at the expense of the whole country?

A. Yes.

1155. *Q.* You think that this is the case with both the duties, import as well as export—stimulating the industrialists at the expense of the country people. In the case of the export duty the duty is liable to come back upon the producer and necessitate him to sell at a lower price to find a market for his produce; and in the case of the import duty, it certainly stimulates the production of the Indian mills, the profits of the mills going into the pockets of a comparatively few but at the expense of the great population of India. Is this conclusion of yours theoretical, or the result of your practical experience?

A. It is theoretical.

1156. *Q.* You have practical experience of cotton piece-goods?

A. I am speaking theoretically on this general question.

1157. *Q.* The whole of your evidence as to the effect of the import duties upon cotton goods, I expect, is not theoretical; you have for some thirty years been a practical piece-goods merchant?

A. The thing is evident in a practical form when you look at the result of the mill industry in India, *i.e.*, they are making abnormal profits. I cannot say I have any practical experience myself in regard to the Indian mill industry. I am only going by

the result shown by the mill industry in the shape of profits.

1158. *Q.* You have handled piece-goods for over thirty years: you have I understand a great deal of practical knowledge in these matters?

A. In regard to the goods themselves, certainly.

1159. *Mr. Coyajee.*—*Q.* Mr. Jones, you have said that the Indian mills are making abnormal profits. Now do you think that the difference of 7½ per cent. in the duty levied is adequate to explain such abnormal profits?

A. It helps to make a profit. I won't say it is the sole cause of the profits.

1160. *Q.* What other causes have brought these abnormal profits?

A. Low price of cotton, cheap labour and satisfactory demand in India.

1161. *Q.* Excuse me: these factors were always there?

A. Yes.

1162. *Q.* Then there were no abnormal profits. The mill industry has at all times been paying well. There may be certain periods during which it has had a set-back, but it has undoubtedly been prosperous for years. If you take the last 20 years together you would think that on the whole the Indian cotton mills have done particularly well?

A. I should think so.

1163. *Q.* Now, coming to the woollen industry, are there any special initial difficulties in the way of starting woollen mills in India?

A. No, I think not. What stands in the way of increasing the woollen industry in India is to a great extent want of enterprise and shortage of capital.

1164. *Q.* At what centres have you woollen mill in India?

A. Bombay, Cawnpore and Bangalore.

1165. *Q.* Most of the woollen mills are in European hands?

A. I am not sure. They may be fostered by British firms, but the share capital I imagine is very largely Indian.

1166. *Q.* But the managing agents and directors are all European?

A. Yes, probably, but I cannot say off hand.

1167. *Q.* Apart from the tariff could you point out any way of fostering the industry here?

A. I cannot. I think it must come in the natural order of things, but I am not in favour of its being forced.

1168. *Q.* When was the first woollen mill started in India?

A. I cannot say. Probably 20 years ago.

1169. *Q.* Would you say that in 20 years the progress made is of a satisfactory character?

A. I am afraid I cannot reply.

1170. *Q.* Do you think that the progress made has been satisfactory looking to the raw material available in the land?

A. Satisfactory so far as it goes. If India has not got the capital to invest or has not the enterprise to start these things, it cannot be helped.

1171. *Mr. Seshagiri Ayyar.*—*Q.* On this question of the Bombay cotton mill-owner deriving abnormal profits, I believe you do not mind the import duty upon English cotton goods?

A. No, so far as it is necessary for revenue purposes. I am only referring to the fact that the Bombay mills have been making for some time enormous profits.

1172. *Q.* In consequence of the import duty?

A. Not in consequence of the import duty. To a certain extent they are helped by the protection they enjoy.

1173. *Q.* In consequence of the imposition of the import duty?

A. Yes.

1174. *Q.* Do you know, Mr. Jones, that so far as English cotton goods are concerned they do not compete with the cotton goods produced in the Bombay mills?

A. Not altogether.

1175. *Q.* The goods produced in the cotton mills are of a different quality from those produced and sent out from England?

A. Not entirely. But it is quite true that the bulk of the goods imported into India are of a superior class.

1176. *Q.* And the bulk of the goods produced here are of an inferior class?

A. Yes.

1177. *Q.* The class of consumers are different?

A. To a great extent. But the production of the mills, that is the higher qualities, compete with the lower qualities of cloth imported.

1178. *Q.* To what extent?

A. It is difficult to say.

1179. *Q.* Generally speaking English goods do not compete with the cotton goods produced in Bombay?

A. So far as the superior cloths are concerned they do not compete. There is not much competition in India in bleached goods, dyed and printed goods, etc., but in other things there is competition.

1180. *Q.* I am speaking of the generality of the goods sent out from England; there is not much competition. They do not compete with the goods which are produced by the Bombay mills?

A. Not as regards the higher quality cloths.

1181. *Q.* I believe that so far most of the English goods sent out from England are of high quality?

A. I agree as regards the bulk of them.

1182. *Q.* In answer to Sir Edgar Holberton, you said that if more woollen mills were started in this country, the producer would not get more by sending the raw material outside India. You said it is problematical?

A. If more mills are started in India naturally there will be greater demand for wool produced in his country.

1183. *Q.* The producer would benefit more by it?

A. That depends on world prices.

1184. *Q.* I am speaking of the Indian producer alone. If the Indian producer, has to send his wool to England, he will have to pay shipping freight, insurance, etc., whereas if he has to sell locally, all that will be saved to him, and consequently he will be able to get better prices?

A. It depends upon the prices existing in Europe. The price for wool in the United Kingdom may be higher than what the mills in India can afford to pay.

1185. *Q.* Ordinarily speaking, if conditions all over the world are the same, the Indian producer would be able to get a better price here than if he were obliged to send it out elsewhere, because he has to incur more expenditure in sending it out to foreign countries?

A. It is difficult to answer.

1186. *Q.* I am speaking of an ordinary case. If you have got a thing at home and you can sell it next door, you can certainly sell it cheaper?

A. It is a matter of adjustment of prices. If the number of woollen mills in India increases, it creates a bigger demand for wool produced, that is to say if you have at the same time a free and unrestricted export of the wool. If the number of mills are increased, the producer of the wool has a better chance of disposing of it.

1187. *Q.* Locally?

A. Locally or otherwise.

1188. *Q.* You are producing something at home to-day. You can certainly sell it much better at home than at a far off place?

A. In the first place, the local mills naturally get their chance at a price.

1189. *Q.* Get a much better price?

A. I cannot say that.

1190. *Q.* I believe there is a great demand for woollen clothing in India?

A. Do you refer to goods made in India?

1191. *Q.* The total demand.

A. I would not call it a very large trade compared with the cotton trade.

1192. *Q.* It is small compared with the cotton trade. None the less, there is a fairly good demand for woollen articles?

A. More or less in the north of India, in the cold parts of India.

1193. *Q.* Is it not desirable that such goods should be manufactured in India?

A. Certainly.

1194. *Q.* If that is so, would you not enable the raw material to be utilised in this country? What objection have you to protection being given to enable the raw material to be used in this country?

A. I am distinctly against protection as it encourages an industry at the expense of the general population of India. It means a tax on the people of India. If you raise the tax on the imported article, you raise the value of the goods in this country and the user of the goods has got to pay that.

1195. *Q.* Don't you think that by adopting a policy of protection, you will encourage industries, and you will employ a large number of Indian people and thereby Indian wealth would increase?

A. Not to any large extent considering the general population of India.

1196. *Q.* Still a good number of people will be employed in the mills and the wealth would remain in this country?

A. Comparatively few people would be employed. The whole country would have to pay higher prices for materials in order to keep the few people employed in the mills.

1197. *Q.* Even then it would certainly add to the wealth of the country?

A. I think industries will grow in the natural course of things without assistance in the shape of protection.

1198. *Q.* Speaking practically, I want to know why there should be any objection to protection as it would have the effect of putting more money into the pockets of Indians.

A. My idea is that it is not for the general good of the whole of India. I admit that protection will foster the industry, but it would be done at the expense of the whole of the people of India.

1199. *Q.* That is a general statement. As I told you the industry will afford employment to a large number of labourers and there will be wealth also in the country.

A. It will foster that industry. In so far as those men who are employed in that industry, it will be good for them.

1200. *Q.* When locally manufactured articles are purchased by Indians, that would certainly add to the wealth of the country?

A. It will, exactly in the same way as the cotton mill industry in Bombay.

1201. *Q.* That is an advantage to the country?

A. There is no reason why the wool industry in India should not grow in the same way as the mill industry has grown in Bombay. It has grown naturally without any fostering.

1202. *Q.* But that may not be possible in every place in India. For instance, take Madras and several other places. There may not be enough capital to start the woollen industry. Under those circumstances if protection is given, it may foster the industry. Everybody is not a Bombay millionaire. There are not very many presidencies which contain a large number of millionaires.

A. I think there is a certain amount of want of enterprise in this country. But in time the industry will grow by natural means.

1203. *Q.* Don't you think it is the duty of Government to stimulate this want of enterprise?

A. I do not think so.

1204. *Q.* A national Government ought to do so?

4. I am not in favour of it.

1205. *Q.* About Preference, you say that if there is protection, you would like to give preference to the Empire. Without distinction, I take it?

A. Yes.

1206. *Q.* To all parts of the Empire?

A. Yes.

1207. *Q.* Even though they may not reciprocate your preference? For example take Canada and Australia. They give a great deal more preference to England than they do to India. Even then, would you give the same preference to Australia and Canada as you would give to England?

A. I would. I am not inclined to differentiate.

1208. *Q.* Although they may be uncharitable?

A. In the first place I do not like preference at all.

1209. *Q.* I quite agree with you there.

A. But if it has to be given, I do not see any reason for differentiation between New Zealand and Australia or South Africa.

1210. *Q.* Notwithstanding the fact that they treat you badly?

A. Because I think it is likely to lead to unpleasantness between different parts of the Empire, which we do not want.

1211. *Q.* Notwithstanding the fact that they treat you differently from what they treat England, you would still allow India to give preference?

A. I think so. I do not see any reason why I should not.

1212. *Q.* This uncharitableness on the part of the dominions should not in the least affect India?

A. You have to treat them well all the same.

1213. *Q.* By being charitable to them, you would win them over to you?

A. Yes.

1214. *Q.* No doubt it is a very good principle of charity, but that is not business. Where you find certain people behave badly towards you, you give them the same treatment as you give to others who behave well. That is certainly not business?

A. That is a very general question.

1215. *Q.* I am giving you particular instances.

A. So far as I see, there is no very great difference made in the matter of preference between one part of the dominions and another.

1216. *Q.* So far as India is concerned, the dominions behave very badly. Your idea is that although they behave badly towards India, we must be very charitable to them and would win them over by it.

A. Yes.

1217. *Mr. Birla.*—*Q.* Mr. Jones, you have been engaged in business for the last 30 years?

A. Yes.

1218. *Q.* You say that the high tariff has the effect of restricting trade. I find from the figures and facts that the effect has been just the opposite. In the last 3 or 4 years the imports have increased. May I therefore take it that this question was not studied very much by you?

A. I admit the increase, but as I pointed out a short time ago, the increase in the last year or two has been due to absolutely abnormal conditions.

1219. *Q.* You want to correct your answer?

A. The effect of the increase has been to restrict trade. By that I mean to say that if there had not been this increase more trade would have been done. My own experience is that several orders had to be turned down because this extra duty had been imposed. I am speaking of the 11 per cent. duty which was imposed last March. The effect of that increase of duty was to turn down a certain number of orders.

1220. *Q.* Still the trade is not reduced at all?

A. The total trade of India due to abnormal causes has been increased in the year 1920, one reason being the high exchange. These are outside causes. In saying that the effect of the increase has been to restrict trade, I mean that, to my own personal knowledge, much more could have been done but for the increase.

1221. *Q.* You are against Protection?

A. Yes.

1222. *Q.* Do you think that if Protection is insisted upon, you would like to have Imperial Preference?

A. If it is decided to impose Protection, I should prefer to have Preference.

1223. *Q.* Will you kindly explain how the evil effects of Protection would be compensated by Imperial Preference? Will you kindly give some illustrations?

A. If you adopt Protection and Imperial Preference as part of the policy, whatever is going in the way of imports into India will naturally be diverted to the United Kingdom.

1224. *Q.* At the cost of whom?

A. At the cost of the foreign countries.

1225. *Q.* Supposing we import the same article from England and from Japan. Suppose also that we impose an import duty of 15 per cent. on the Japanese article and of 10 per cent. on the English article, what would be the effect on the market?

A. The effect on the market will be that the Indian production will be stimulated.

1226. *Q.* What will be the effect on the price here?

A. The British article will be sold for Rs. 100 *plus* Rs. 10 duty, or Rs. 110, and the price of the Indian

article will immediately rise to approximately Rs. 110, the profits going into the hands of the producer.

1227. *Q.* Do you mean to say that no Japanese article will be imported?

A. That would be the effect. Probably it would not stop immediately. If you are speaking of textiles, you have to bear in mind the fact hat trade-marks become known and are demanded by certain buyers. If a trade-mark gets particularly well known, it may continue to be imported for that reason only, at even a much higher price than similar goods produced in this country.

1228. *Q.* Then you mean to say that while the Japanese article will altogether cease to be imported the English article will continue to be imported? When the English manufacturers find that the Japanese imports have ceased, do you think they will be so charitable as to supply us with the same article at Rs. 110 and not increase their prices?

A. They would try to increase their price to Rs. 115.

1229. *Q.* Originally the cost of the article was Rs. 100. We imposed a duty of Rs. 10 and the price to-day is Rs. 115, *i.e.*, we have to pay Rs. 15 more, and the gain will be to the English manufacturer at the cost of the Indian consumers?

A. The natural effect of imposing a duty on the import of British articles will be to foster the sale of Indian article somewhat slightly below the English price.

1230. *Q.* You admit that the price will go to Rs. 115. That means that the Indian consumer will have to pay Rs. 15 more, while the English manufacturer will make Rs. 5 profit more than what he used to make before?

A. Yes.

1231. *Q.* So, India gains nothing by Imperial Preference but it loses?

A. The British Empire will gain by Imperial Preference.

1232. *Q.* The British Empire will gain, but not India?

A. Except in the matter of reciprocity.

1233. *Mr. Mant.*—You are a member of the Karachi Chamber of Commerce?

A. Yes.

1234. *Q.* Are you appearing in any way for the Chamber or are you giving evidence on your own behalf?

A. For the Chamber. I was asked by the Chamber to give evidence as regards the export of wool and the import of textiles.

1235. *Q.* Can you give us any idea how the export trade in wool compares with the import trade in woollen goods? Roughly is the production of wool in India greater than the consumption of woollen goods?

A. I am afraid I have not got figures.

1236. *Q.* I have got some figures. It is rather difficult to compare them.

A. It is difficult to estimate the amount of raw wool that there is in the manufactured article.

1237. Q. That is my difficulty exactly. Roughly you would say that the production of raw wool is considerably in excess of the quantity consumed in India?

A. I would say so.

1238. *Q.* If we establish a large woollen industry in India, there will still be a surplus for export?

A. Yes, on the supposition that the export of wool is much greater than the import of manufactured articles. I am not sure on the point.

1239. *Q.* Can you give us any information as to the wool produced in India. Is the quality suitable for goods that we import?

A. By no means. The quality of wool produced is a low one.

1240. *Q.* Would not that militate against the manufacture of woollen goods in India?

A. It will. They could produce articles which are more or less of rough low quality. They could not compare with the manufactured articles which we import, made from a very superior wool from other parts of the globe.

1241. *Q.* I take it if we establish a large manufacturing industry in India, it will be very much on the same lines as the cotton industry. India would still have to import a good deal of the finer class of goods?

A. That is so.

1242. *Q.* We could manufacture the coarser cloth?

A. Yes, similar to the products of the Bombay mills in the matter of cotton goods.

1243. *Q.* What do you think of the quality of raw wool produced in this country?

A. I am not an expert in wool. But it seems to be of rougher quality. I know in a general way that the quality of wool produced in India is of a lower class than that imported.

1244. *Q.* Can you tell us whether the consumption of woollen goods in India is mainly of the lower quality or of the higher quality?

A. I cannot give you figures exactly. Mostly, I think it is the higher quality. It is difficult to say. Both classes are imported; in what proportion, I cannot say. There are the rough and the finer qualities, and there are also very fine and superior styles of woollen materials.

1245. Q. With regard to the export trade, you say that an export duty would make it more difficult to compete with wool imported into the United Kingdom. I would like to know something about the production of wool. I presume there would be competition only with the coarser qualities of Australian wool?

A. Australia, South Africa, and I understand that a certain amount goes from the Persian Gulf.

1246. *Q.* Is not Australian wool of much higher quality than Indian?

A. It is generally. There is no direct competition between the East Indian wool and Australian wool. The competition would only come in if the Indian wool rose in price.

1247. *Q.* But there is competition in the same kind of wool from other countries?

A. At the present moment, I would say that there is no serious competition. Under the present system of export of wool free of duty, it does not meet with any serious competition in the United Kingdom.

1248. *Q.* What would be the effect of an export duty? Would there be effective competition if you put on an export duty?

A. Yes. The effect of putting on a duty would be to introduce competition with other wools.

1249. *Q.* There are other sources which supply the same quality of wool as India?

A. Yes. If the price of Indian wool is raised by an export duty, requirements would be met by Persia or some other place.

1250 *Q.* There would be effective competition. If you put on an export duty competition would make itself felt?

A. It would.

1251. *Q.* In your answer to Question No. 76, dealing with the question of preference, you say there is likely to be retaliation against India's export trade. Can you give any instances of cases in which there is likely to be retaliation?

A. I am only speaking generally.

1252. *Q.* I do not want to take you over the whole trade. Would you be afraid of retaliation in your own trade?

A. Yes, if preference were shown to British manufacturers of textiles to the exclusion of imports from Belgium or Germany. Germany, I think, would be inclined to retaliate against some goods they import from India.

1253. *Q.* Are you apprehensive of retaliation in the goods that you deal in?

A. It would not affect the wool trade, because the great bulk of the wool goes to the United Kingdom. They could not retaliate in the matter of wool. They would retaliate in other ways, possibly, but not in things that I personally deal in. Retaliation could not come from foreign countries in the matter of wool, not to any appreciable extent, because, as things exist at present, practically all the wool goes to the United Kingdom.

1254. *Mr. Jamnadas Dwarkadas.*—*Q.* In your answer you have said that practically all the wool exported from India goes to the United Kingdom.

A. A much larger quantity goes to the United Kingdom than is consumed in the country itself. That means practically that there is hardly any competition for raw wool and almost all goes to the United Kingdom.

1255. *Q.* Suppose you grow an article and I am the only buyer. There is no competition. Other people are not forthcoming. Naturally the price would be less than it would be if there were three or four buyers. Is it not so?

A. Yes.

1256. *Q.* In answer to a question by Sir Montagu Webb you said that if an export duty was imposed the producer would suffer. Would he really be likely to suffer?

A. If people will not take it, what will be the result? The producer will suffer.

1257. *Q.* Suppose that an export duty on raw wool was imposed. That would keep large quantities here, and would stimulate the woollen industry in the country?

A. It would to this extent that the price of wool in this country will be forced down.

1258. *Q.* There will be more competitors than one in that case and eventually when you get the mills going the producers would find a demand from the Indian mills for wool. So instead of one there will be two buyers, England and India?

A. Yes.

1259. *Q.* And naturally therefore the industry is not likely to suffer?

A. It would suffer in the first instance.

1260. *Q.* That would be only temporary?

A. You are not going suddenly to increase the mill industry in India. It will take a long time, a very long time, and the producer will suffer.

1261. *Q.* Do you think it will take a long time for the industry to grow in India? The tendency is for the industry to grow.

A. I think it will be a long time before you have any appreciable increase in the number of mills in India.

1262. *Q.* Are you aware that about 3 or 4 woollen mills have been started and will begin work shortly?

A. There are some mills working in Bombay, I hear.

1263. *Q.* Yes. Three or four new mills have been started. They have been started in answer to a national demand for home made goods. If a slight protection were given don't you think that it would stimulate these industries still further?

A. Yes.

1264. *Q.* In answer to a question by Mr. Mant you said that the quality of the raw goods produced here are coarse and that you could not make fine stuff from them?

A. Not a very fine quality.

1265. *Q.* Do you know that the Kashmere shawl is the finest stuff that can be produced?

A. But this is produced in small quantities, compared with the total production in this country.

1266. *Q.* So there is no absence of production?

A. You do get fine stuff, I admit.

1267. *Q.* Leaving aside Kashmere stuff, you know the Cawnpore mills, in answer to a demand for goods produced in this country, have manufactured woollen cloth which is equal to the best English made cloth?

A. I do not think so.

1268. *Q.* I have one with me. If I had worn it to-day I would have shown it to you. You would hardly have known that it is Indian made. There are people who wear only cloth produced out of the wool grown here. The Cawnpore mills have stated that that condition is satisfied by their cloth. I do not think they could make a false statement.

A. I am referring generally to the production of wool in India. They are mostly of a lower class. You cannot produce the finer manufactured article.

1269. *Q.* Coming to piece-goods, you said that because of the import duties which were imposed in 1916, the import has gone down. I admit that the figures show that the quantity has gone down. But do you know that the total consumption also of piece-goods has fallen within the last 10 years?

A. Yes; likely.

1270. *Q.* Do you know that in 1911-12 it was 4,603 million yards. In 1919-20 it was 3,149 yards. So that in 10 years the total consumption has fallen to the extent of 150 million yards?

A. May be. I have not studied the figures for the last 10 years.

1271. *Q.* The figures show that the reduction in import is due not entirely to the import duty but largely to the high prices that prevailed during the war?

A. Yes. I do not say that it is entirely due to the increase of the import duty that the trade has fallen. It is due to other causes also.

1272. *Q.* At the same time the production of Indian cloth is not very considerable. But there is an appreciable increase within the last 10 years. Don't you think that it will be a good feature for India if all the cloth required for Indian purposes could be produced in India?

A. Possibly, in the distant future it will be done. I would welcome it. But I am not for excluding imports from foreign countries, which consist of the higher qualities, and which are required in this country. One who buys a piece of cloth would like to buy the best he can for his money. The population of India should have a chance of buying any quality they like. If they want a very high quality they pay for it. India cannot produce those qualities.

1273. *Q.* From the point of view of India it would be desirable that India should produce all that cloth?

A. India cannot produce it all. There is a manufacturing difficulty, I understand, in this country. They have not got the requisite staple of cotton to work on, unless they import American cotton. They cannot produce it out of the Indian cotton. In the matter of the lower qualities it is certainly desirable to foster the Indian industry in order to meet the country's requirements as far as they possibly can. But I think that there are other classes of goods which India cannot make and which I do not think she will make, unless the whole cotton produce of India changes its character.

1274. *Sir Maneckjee Dadabhoy.*—*Q.* Have you got any idea of the percentage of wool used in this country as against the percentage exported?

A. There are 6 or 7 mills in this country which are able to use the wool of this country as against the large export of wool.

1275. *Sir Montagu Webb.*—*Q.* Only 6 or 7 mills in India? To what other countries besides the United Kingdom is Indian wool exported?

A. America only so far as I know, and that too in very small quantities.

1276. *Q.* Not to any other part of Europe besides the United Kingdom?

A. Not so far as I am aware.

1277. *Sir Maneckjee Dadabhoy.*—*Q.* As I understand you you are dead against any artificial impetus being given to this industry by Government aid?

A. Yes.

1278. *Q.* You say that a large quantity of wool is exported from the country. So your answer logically comes to this that you would prefer outsiders to benefit by this large produce of Indian wool to the Indians themselves benefiting by it?

A. No. If an industry were using the Indian wool, it can be fostered naturally without any doubt.

1279. *Q.* My point is this: you have stated that a large quantity is not consumed in this country. A large quantity goes to the United Kingdom and a small quantity goes to America. It follows that you would not give also the same encouragement for the starting of new woollen industries in the country?

A. No.

1280. *Q.* The result of this is that you would prefer America and the United Kingdom making profits out of the Indian wool at the expense of India itself?

A. The producer of wool in this country makes a profit.

1281. *Q.* But you would like the manufacturers of other countries to benefit by this?

A. My conclusion is that under present conditions my suggestion is the best.

1282. *Q.* You would prefer that India should not manufacture the wool produced?

A. I prefer that India should manufacture the wool she produces.

1283. *Q.* You don't think that a tariff policy to this effect in giving encouragement would be a sound policy?

A. I am not in favour of a policy which has for its object the protection of any industry. Let us act as practical men.

1284. *Q.* I want to approach the question as a practical businessman. You are in an industry, and I want to get to the bottom of your feeling. I want to know whether it would be a sound policy for India to conserve as much of her raw produce in the matter of wool and to manufacture the same for the benefit of the country. If it is kept in the country would the producer benefit or not?

A. The result would be to keep it in the country at the expense of the producer.

1285. *Q.* There are no manufactures now. But if we can manufacture the same articles in this country would it not be advantageous?

A. It would.

1286. *Q.* And for the manufacture of that you would not give a reasonable assistance?

A. No. I am not for giving any assistance whatever in this respect.

1287. *Q.* Do you think that such a policy was followed in any European country?

A. I do not know about that. I cannot say.

1288. *Q.* In answer to Mr. Mant you said that some raw wool is exported from the Persian Gulf and Meso-

potamia and that the imposition of an export duty would bring us in competition with the export from those countries?

A. Yes.

1289. *Q.* Do you know what is the quantity actually exported from the Persian Gulf and Mesopotamia?

A. I do not know, but the quantity is very small at present.

1290. *Q.* If it is a very small quantity it could hardly come into conflict with Indian exports?

A. If it continues to remain a small quantity, no.

1291. *Q.* For the present you have no knowledge at all what that quantity is?

A. No. I have no figures.

1292. *Q.* You say that you would like the woollen industry to grow in the same way as the cotton industry. Do you think the cotton and the woollen industry stand on the same footing?

A. I think so. There is no difference.

1293. *Q.* Do you know that it has taken nearly 50 years for the cotton industry of Bombay to achieve its present position?

A. Yes. Thereabouts.

1294. *Q.* You would like to see the process of development take 50 years for the woollen industry also?

A. I do not say that.

1295. *Q.* It has taken 50 years to grow. Now you would like another 50 years to elapse before the woollen industry gains more importance and financial strength?

A. No I would not. I would like the woollen industry to grow as fast as it can naturally.

1296. *Q.* When you use the word " naturally " you mean that it must go through the same process as the cotton mills?

A. Yes. It must go through the same process.

1297. *Q.* The same evolution? It must go through the same conflicts of competition, etc., as the cotton industry, and is that a sound policy for this country?

A. I think so.

1298. *Q.* You are against any State assistance for the protection of industries?

A. Government assistance can be rendered in the matter of information and statistics. Help can be given to new enterprises in that form. But what I am against is monetary assistance to an industry.

1299. *Q.* Are you aware that Germany and Japan rendered monetary assistance for the growth of their industries?

A. Yes.

1300. *Q.* You are aware that America did the same thing, and yet you would deny the same privilege to India?

A. I do not think those industries have benefited by that particular policy only. Without that policy they might have done much better.

1301. *Q.* Are you in a position to say that those industries have not benefited on account of that policy?

A. There are variations.

1302. *Q.* Is it not reasonable to conclude that those countries would not have adopted this policy and continued it unless it was to the benefit of those countries?

A. It is reasonable to assume that as England did not adopt a policy of protection she made enormous strides during the last 60 years.

1303. *Q.* England is the only exception in the world?

A. I am not sure that it is.

1304. *Q.* You are aware that England is gradually adopting a policy of Protection now?

A. England is veering round to some extent. Nations do not always do the right thing.

1305. *Q.* Coming to cotton fabrics, you say that in 1916 the duty on piece-goods was 3½ per cent. that it has since been raised to 11 per cent. and that the effect of the increase has been to restrict the trade. Have you based this statement on actual figures?

A. The figures have just been quoted to me by Mr. Birla. The effect of the increase has been to restrict trade. I am speaking generally. But I must admit that the trade in 1919-20 was largely stimulated by abnormal conditions.

1306. *Q.* I am referring to 1916. Have you got figures to support that statement?

A. I have not based it on the figures. I say the effect of the duty has been to restrict trade. I have practical knowledge in regard to my own trade. The duty has interfered with the placing of orders which had to be turned down on account of the increase of prices.

1307. *Q.* In your answer to Question No. 72 you say that any further increase in the tariff rates would further restrict the trade. I assume from that answer that you would not object to the duty being kept at 11 per cent. ?

A. I would prefer to see the duty abolished altogether.

1308. *Q.* Would that be to the benefit of India?

A. Yes.

1309. *Q.* How?

A. It will reduce the price to the consumer.

1310. *Q.* It will put money into the pockets of Lancashire manufacturers as against Indian manufacturers. Is it not so?

A. Importers of Lancashire goods will be able to reduce their prices if you abolish the duty.

1311. *Q.* You say the Indian consumer will suffer by the duty?

A. If you do not abolish the import duty you will never make it cheaper to the consumer in India.

1312. *Q.* How?

A. Because if you abolish the duty it will naturally make the goods come into the country cheaper.

1313. *Q.* I am sorry I cannot follow you. How will you get revenue?

A. That is another point. I recognise that duties must be imposed for revenue purposes.

1314. *Q.* In the latter portion of your answer to Question No. 72 you say that the trade in imported piece-goods is already handicapped to the extent of 7½ per cent. against the goods manufactured in India Mr. Coyajee has already drawn your attention to the large profits that the Indian mills make. You have also made a statement that duty, if abolished, will not have any effect in view of those large profits.

A. I do not quite understand your argument. I still feel that the 7½ per cent. protective duty assists the Indian mills to make profits.

1315. *Q.* How does it help? Suppose the 7½ per cent. duty was abolished the mills' profits would remain practically the same according to the present condition of things. They will probably make more profits?

A. I do not say that. I only say that it will assist the Indian mills to make a profit.

1316. *Q.* Then you would not expect the Indian mills which have been started by local capital to make money out of the business?

A. I would expect them to make money, but not the abnormal profits which they are making.

1317. *Q.* But the abnormal profits, are they not due to the abnormal conditions?

A. But the fact remains that they are making these abnormal profits.

1318. *Q.* It is only since 1919 that they are making these profits. But for a long time the industry has been flourishing. Now, you have said that this 11 per cent. has restricted the imports. Would it be fair to draw this conclusion from the results of such a short time? The duty was imposed in March last; Lancashire had to stop work on account of the railway strike for three or four months. So would it be fair now to draw such an inference after such a short time?

A. I do not say that the increase in the duty has been the sole cause of the restriction of the trade.

1319. *Q.* Then you will modify your statement?

A. I say the effect of the increase has been to restrict the trade, but I quite admit that there are other causes

1320. *Q.* One question about Imperial Preference. Can you throw any light on the question about the treatment given to India by other parts of the Empire. I mean those countries which are not giving us any corresponding benefits but which are handicapping Indian industries?

A. I am afraid I cannot go into that question.

1321. *Q.* Do you know what has happened about the preference shown by New Zealand?

A. I have no definite views on the question of Imperial Preference at present.

1322. *Sir Montagu Webb.*—*Q.* Mr. President, may I elicit information on one question. The witness said that he did not think that any country could retaliate in the matter of goods in which he is interested, *viz.*, piece-goods and wool. I would remind the witness that a good deal of Indian wool goes to the United States.

A. Not direct, but through Liverpool.

1323. *Q.* I would ask the witness whether the United States could not retaliate against wool?

A. That is quite possible.

1324. *President.*—*Q.* If India had fiscal freedom, India will be able to retaliate also? Then there will be a tariff war, a war of retaliation between India and America?

A. That would be the result.

Witness No. 8.

Mr. GOPALDAS JHAMATMAL, Pleader, Hyderabad, Sind.

Written statement dated the 31st October 1921.

1325. *Q.* 1. I strongly favour a policy of protection for India.

1326. *Q.* 2. I am strongly of opinion that a tariff provides more suitable form of taxation for India than direct taxation. I would positively prefer an increase in customs to an increase in direct taxation.

1327. *Q.* 3. Unnecessary, as I am entirely for a policy of absolute Protection.

1328. *Q.* 4. There should be complete departure from the existing Principles. The existing policy has been ruinous to the interest of India.

1329. *Q.* 5. The existing policy has materially injured the Indian industries in the past and the continuance will be extremely harmful. Before the advent of the East India Company in India, India's foreign trade in her manufactured articles was enormous. But the policy pursued by the East India Company has converted the country, which was once famous for its manufactures, purely into an agriculturist country exporting foodstuffs.

1330. *Q.* 6. In my opinion a civilized Government fails in its duty to its subjects, when it imposes an excise duty on the same articles.

1331. *Q.* 7. Unnecessary. In my opinion the imposition of excise duties is positively wrong and even sinful.

1332. *Q.* 8. No. The imposition will necessarily result in raising the price to the consumers.

1333. *Q.* 9. Yes. The Indian industries will certainly in that case be in a position to take deep root in the country. Industrial conditions in the western countries have brought about wonderful progress in their commerce. But in India, we have scarcity of capital and lack of machinery, and want of co-operation. The result is that almost all our industries are in a crippled state. Tariff framed primarily for fostering the Indian industries will obviously enable them to compete well with foreign industries.

1334. *Q.* 10. I am sure that the day will not be far distant when India will be independent of other countries in regard to all her requirements of manufactured goods, if we have the warm assistance and co-operation of Government by way of imposition of protective duties and Government subsidies.

1335. *Q.* 11 and 12. On all imported manufactures.

1336. *Q.* 13. I would desire to have at least three new industries established by protection, *viz.*, shipbuilding, railway stock and paper. The reasons of their selection are their immediate necessity and utility and importance.

1337. *Q.* 14. I would extend protection to all Indian Industries.

1338. *Q.* 15. Yes, I would grant special protection. In addition to the ordinary protective duties, the foreign goods which have been specially favoured by bounties and subsidies, etc., should be subjected to additional taxation to the same extent as they have been favoured with. The facts can be easily ascertained by laying down some statutory rules for the import trade, *e.g.*, the production of a duty signed certificate stating the extent of bounty, subsidy, etc., by which the foreign goods have been favoured.

1339. *Q.* 16. I am in favour of hand loom industries and particularly the cotton hand loom industries. I wish them to be maintained in an agricultural country like India where the home industries are an absolute necessity.

1340. *Q.* 17. In my opinion in India which is more a continent than a country there is a very little danger leading to combination among the protected manufacturers. In any case emergency legislation can be resorted to in the province where such combination takes place.

1341. *Q.* 18. If a protective policy is adopted it is likely that British or foreign industrial firms will establish themselves in India to get the benefit of the protective tariffs. I shall be most glad to have them in India because they will add to the prosperity of the country.

1342. *Q.* 19. In my opinion it is not likely that a serious conflict of interests between producers of raw material and manufacturers will arise in India. In any case there will not be any serious difficulty in adjusting the differences if ever they arise.

1343. *Q.* 20 to 24. When an import duty is imposed a part of it is passed on to the consumer in a rise of price and that is likely to be permanent. But that increase, apart from the benefit of developing the industry, whether the protected article was a necessary of life or not, would benefit the Indian consumer in various ways. There will be a rise in wages or salary of all the working classes whether he is an industrial wage-earner or an agricultural wage-earner or a member of middle classes.

1344. *Q.* 25. A policy of Protection will not injure India so far as its foreign trade and its general commercial position and prospects are concerned.

1345. *Q.* 26 to 28. It will be neither proper nor advantageous to India to use any tariff as an instrument for bargaining with other countries. The tariff must be framed solely with the object of fostering Indian industries.

1346. *Q.* 29. Yes, a permanent Board of Industry will be essential for the purpose.

1347. *Q.* 30. In my opinion export duties should be imposed for three purposes, *viz.* :—

(*a*) raising revenue.
(*b*) encouraging the retention of raw material for purposes of manufacture.
(c) lowering of prices in India and the cost of living.

1348. *Q.* 31 and 32 Export duties will generally lessen the export trade. But in several places the effect will not be material. For instance, the imposition of 7½ per cent. *ad valorem* on raw hides, jute cloth and foodstuffs and 3 per cent. on tea, coffee, cotton, wool and tobacco will not materially affect the export trade of the articles. This imposition will have no effect worth the name on the producers of the raw material and the amount they would produce.

1349. *Q.* 33. I am of opinion that it will be right and advantageous to the interests of India to impose an export duty on food stuffs with a view to controlling their export and thereby lower Indian prices and the cost of living. The imposition of 7½ per cent. *ad valorem* export duty will have no effect on the agricultural interests and on the quantity of foodstuffs produced in India.

1350. *Q.* 34. It will be highly advisable to impose an export duty on a raw material in retaliation for an import duty imposed by a foreign country on the manufactured articles. I would recommend action in the case of cotton and woollen cloth. The export duty on the raw material sent to the particular foreign country should be increased by about 33 per cent.

1351. *Q.* 35. I am emphatically against Imperial Preference, as much against it as against "Heads I win, tails you lose."

1352. *Q.* 36. I would not differentiate between the policy to be adopted towards the United Kingdom and towards the other parts of the Empire except in so far that those Colonies which do not recognise the full rights of citizenship of Indians should be retaliated against by extraordinarily heavy tariff.

1353. *Q.* 37. India will materially suffer if the system of Imperial Preference is adopted. Not only will the Indian industries be deprived of the Protection they are justly entitled to but there will be a very strong probability of retaliation by foreign countries against India.

1354. *Q.* 28 and 39. Unnecessary in view of emphatic views against Imperial Preference.

1355. *Q.* 40. The adoption of the course suggested is bound to result in raising the price to the consumer.

1356. *Q.* 41 and 42. The system of Imperial Preference is bound to prejudicially affect the balance of Indian trade and India's general trade position.

Oral evidence, Karachi, the 30th November 1921.

1357. *President*—You are a pleader and you practise in Hyderabad?

A. Yes.

1358. *Q.* In answer to Questions Nos. 11 and 12 you

ay that import duties should be levied on all imported manufactures. Do you think that India is capable of manufacturing each and every article that she imports at present ?

A. Not necessarily at present, but in the near future ?

1359. *Q.* Each and every article ?

A. I am in favour of imposing an import duty on every article, even as regards the few articles which cannot be manufactured in India, as a matter of policy.

1360. *Q.* Surely the object of Protection is to stimulate the manufacture of those articles which can be manufactured in India ultimately. If that is so, it would not be necessary to impose an import duty on articles which there is very little likelihood of her being able to manufacture.

A. There are very few articles.

1361. *Q.* Assuming theoretically that there are a few would you include them for the purpose of an import duty ?

A. I would include them for revenue.

1362. *Q.* I suppose you agree that any import duty imposed for the purpose of giving Protection to the manufacturing industries of India is borne wholly or partly by the consumer.

A. Of course, ultimately.

1363. *Q.* If so, what is the object of penalising the consumer by imposing an import duty on articles which India will not be able to manufacture in future ? I quite agree with your conclusion that the consumer should be penalised with a view to manufacturing articles in India, but what is the use of penalising him on articles which cannot be manufactured in India ? Assuming that there are a few such articles would you exclude them from the import duty.

A. Yes.

1364. *Q.* You say that when an import duty is imposed a part of it is passed on to the consumer in a rise of prices and that it is likely to be permanent. I do not wish to ask any question as regards the proportion, whether the whole or only a portion of these import duties is passed on to the consumer, but I should like to know why you state that such penalising of the consumer is likely to be permanent. Is it your idea that with the industrial growth of India by means of Protection it will be able in time to manufacture at the cheapest price ? If that stage is reached why should the import duty be retained ?

A. I mean up to that stage and not further.

1365. *Q.* In answer to Questions Nos. 26 to 28, you say that it will be " neither proper nor advantageous to India to use any tariff as an instrument for bargaining with other countries."

A. I do not think that the policy of bargaining will be right, unless the object be to reach some sort of arrangement with other countries.

1366. *Q.* Have you heard of trade treaties to the mutual and reciprocal benefit of both countries ? Should India bargain to arrive at trade arrangements which will be mutually advantageous to both countries ?

A. I am in favour of such treaties, only I do not approve of the use of the word " bargain ".

1367. *Q.* In answer to Question No. 33 you say " I am of opinion that it will be right and advantageous to the interests of India to impose an export duty on foodstuffs with a view to controlling their export and thereby lower Indian prices and the cost of living." The lowering of the price of foodstuffs will benefit the consumer of course. But have you considered what effect it will have on the producer, the agriculturist ?

A. The producer is also a consumer at the same time.

1368. *Q.* But the producer produces a larger quantity than he actually consumes, and he markets the balance and supplies food to other people who are not engaged in agriculture, and to that extent they will obtain lower prices. Is it not so ?

A. But then he benefits in other ways. For instance, if the export duty raises prices it also brings revenue to Government. In that way Government can reduce taxes in other directions, and there will be a lightening of taxation so far as the producer is concerned. Then again he gets various benefits if the country itself is prosperous. Even if certain manufacturers make profits, the producer also benefits by the prosperity of the manufacturers indirectly.

1369. *Q.* Why do you say that if an export duty on foodstuffs is levied there will be a corresponding reduction of taxation in other directions ?

A. The reason is that taxation should be levied only for the necessities of Government.

1370. *Q.* They are ever growing, as you know. Do you know that during the last 10 or 15 years, there has been an increase in taxation and an increase in revenue, but very little idea of reduction in taxation,

A. But the people have got more voice now. At any rate they cannot levy more than is required for expenditure, and therefore I say even the producer will be benefited.

1371. *Sir Edgar Holberton*—*Q.* You are a pleader of Hyderabad Have you any business outside that ?

A. I have got some lands and some gardens.

1372. *Q.* You are a zemindar, but you have not mixed yourself up in business ?

A. I am not a merchant, but I have studied Political Economy.

1373. *Q.* To what extent ?

A. I have been a student of Indian Economics for the last 15 years. I have been studying the budgets and the various sources of revenue.

1374. *Q.* You have come here as a theoretical student rather than a practical merchant ?

A. I am not a merchant.

1375. *Q.* You have not considered the result to your own pocket of any of the taxes imposed during the last 5 or 6 years ?

A. So far as I am a general rate-payer I have been affected. There has been no special duty paid by me as surplus tax.

1376. *Q.* You have not thoroughly thought out the result of the policy you advocate on yourself as a citizen ?

A. I have very carefully considered that question.

1377. *Q.* Do you think as an ordinary citizen of the Indian Empire, not being bound to any particular trade or commerce, you will benefit by Protection ?

A. Certainly.

1378. *Q.* Will you benefit financially or politically ?

A. Financially as well. I mean the country as a whole and I as a member of the public will benefit from a financial point of view.

1379. *Q.* Will it be of immediate benefit to the population of India or will it have to be waited for ?

A. A very short time will have to be waited for.

1380. *Q.* You do not think that the institution of protective legislation would have the immediate effect of making most things in India more expensive ?

A. It may be for a short time.

1381. *Q.* What makes you think that the time would be very short ?

A. I expect that as soon as we have protective tariff duties the country will be richer and there will be a proportionate reduction in taxation in other directions.

1382. *Q.* Is your opinion only theoretical or can you give any concrete instance ?

A. Unfortunately no protective duties have yet been imposed, and I cannot give you any concrete instance.

1383. *Q.* But import duties have been imposed ?

A. It is very difficult to give an answer. No protective duties have been imposed.

1384. *Q.* Beyond your theoretical definition of Protection can you give us one or two instances where your policy of Protection will really benefit the country ?

A. Take for instance the cotton duties. Now we get from England over 89 per cent. of the total imports. So far as cloth is concerned there can be no doubt that if India could produce all the cloth she requires she will really benefit.

1385. *Q.* Why ?

A. For the simple reason that we do not allow our own money to go out of our house.

1386. *Q.* But will it benefit you ?

A. I will be richer if my country is richer.

1387. *Q.* But the benefit will not come to your house ; it will go to a neighbour's house ?

A. The Government and the people are one. The people should treat the Government as their own in view of the Reforms or the proposed extensions. If any part of the country benefits then I certainly would submit that every individual of the country benefits.

1388. *Q.* If one class benefits, thereby the whole community benefits, even if the benefit of that class is to make life a little more difficult for the rest ?

A. Yes ; it is only for a short time.

1389. *Q.* Then what else ?

A. Sugar. I think if we now have protective duties for iron and steel it will be beneficial to the country.

1390. *Q.* Do you know that the Sugar Committee which was a fully representative Committee was not at all particularly hopeful about the immediate future of sugar manufacture in India ?

A. I know it, but I have my own views.

1391. *Mr. Narottam Morarjee.*—*Q.* You say " I would desire to have at least three new industries established by Protection, *viz.*, shipbuilding, railway stock and paper.

Can you tell me any particular method by which these industries can be established ?

A. If a company is organised for sugar manufacture Government can offer certain concessions; they can give lands and give exemption from taxation temporarily. So far as shipbuilding is concerned, there was an industry although on a very small scale, but on account of certain reasons—probably it was considered that the company was a political society, the pioneer came to trouble and got into jail for some speeches. Shipbuilding, railway stock and paper are the three industries which can be started immediately. Even by subsidies we must stimulate these industries. The shipbuilding industry was practically done to death by the East India Company.

1392. *Q.* I am confining your attention to railway stock and paper.

A. Several railways are owned by Government.

1393. *President.*—All trunk lines are owned by Government; only the management is transferred to companies.

Witness.—I do not see why Government should not open factories and make its own arrangements to supply railway stock for their lines. Our Government is practically in some respects a trading body. Why should they not have railway stock when they are owning railways? Some may assert that Government is not a trading corporation, but our Government is actually a trading corporation. Railway owning is trading. So far as the paper industry is concerned, even this industry can be started by Government. How many lakhs of rupees are spent by Government on paper ? There are large resources of raw material, but lack of capital, and therefore I think it is the duty of Government so far as this paper industry is concerned to start factories themselves or subsidise private factories. These are the two ways : subsidising or directly starting.

1394. *Q.* If Indian capital is not forthcoming, would you like foreigners coming here and starting new industries ?

A. That is a better course than importing. Part of the money will be found here and the labourers will find work. I expect at least half the capital will be subscribed in India.

1395. *Sir Montagu Webb.*—*Q.* I gather from your replies to Sir Edgar Holberton that you have not had any actual personal experience of export or import trade ?

A. Of course no actual experience. I have already said that I am not a merchant though I know a good deal about the matter.

1396. *Q.* But you think that almost any industry could be established here by the aid of protective duties ?

A. Yes.

1397. *Mr. Coyajee.*—*Q.* I will trouble you only about two matters, in which I am in general agreement with you. In reply to Questions Nos. 20—24 you say that there will be a rise in the wages of all the working classes, whether he is an industrial wage-earner or an agricultural wage-earner or a member of the middle class. I want to know how will the middle classes' income increase ?

A. By the general prosperity of the country. This indirect benefit is sometimes of more importance than the loss by the tariff. If my neighbour is prosperous it brings me prosperity. If there is general prosperity of the classes, the masses will benefit.

1398. *Q.* The other point is as regards your answer to Question No. 18. You say "If a protective policy is adopted it is likely that British or foreign industrial firms will establish themselves in India to get the benefit of the protective tariffs. I shall be most glad to have them in India, because they will add to the prosperity of the country." Will you please give us the reasons why you think India will benefit ?

A. In the first place unskilled labour will be entertained and trained and that means employment to so many. Then the people who live here will spend their money in India,—of course there will be a small remittance,—and that is another advantage.

1399. *Mr. Seshagiri Ayyar.*—*Q.* You were asked as to whether you are a merchant or not, and you said 'No.' You study the trade returns and the Budget. You speak from the point of view of the general condition of the country, and your pocket is not going to be touched by anything that is to be done. To that extent you are disinterested in giving evidence before the Commission ?

A. Yes.

1400. *Q.* You say in answer to Question No. 5 "Before the advent of the East India Company in India, India's foreign trade in her manufactured articles was enormous." Generally we were told that India was always an agricultural country, but you are taking a different view. Can you give us your authority for that statement ?

A. They are all summed up by Pandit Madan Mohan Malaviya in his dissenting note in the report of the Industrial Commission. It gives you all the authorities. The statement is supported by European authorities.

1401. *Q.* In answer to Questions Nos. 20 to 24, you say that most of the import duty is passed on to the consumer in a rise of prices and that it is likely to be permanent ?

A. I agree with the Chairman in thinking that it would be permanent up to the time that protection lasts.

1402. *Q.* Supposing there are a number of mills newly introduced into this country, the result will be that prices would be reduced by protection and consequently the increase in the price will not be permanent ?

A. Yes.

1403. *Q.* To that extent you must admit that you are wrong ?

A. Yes.

1404. *Q.* The President put to you a question about bargaining and he gave you one example. I will give you another example. You can say to the foreign merchants that unless certain concessions are given to us, for instance, by allowing our students to study their secrets, we would not be favourable to their trade. Would not that benefit the country ?

A. Certainly.

1405. *Q.* That kind of bargaining you would not object to ?

A. Certainly not. I did not like the word 'bargaining.' I only misinterpreted it.

1406. *Q.* What is your view about preference ?

A. I am entirely against Imperial Preference.

1407. *Q.* Supposing it is decided that there should be preference, would you treat England and the Dominions alike ?

A. Certainly not.

1408. *Q.* I will put it a little more definitely. If Australia or Canada does not give us preference, you would not like to give preference to those countries ?

A. Certainly not.

1409. *Mr. Jamnadas Dwarkadas.*—*Q.* There is a question arising out of your answer to Question No. 5. You say "Before the advent of the East India Company in India, India's foreign trade in manufactured articles was enormous. But the policy pursued by the East India Company has converted the country, which was once famous for the manufactures purely into an agricultural country." You do not subscribe to the idea that India has been and can only be an agricultural country ?

A. Certainly not.

1410. *Q.* And that India can be a very prosperous agricultural country if proper facilities are given ?

A. Yes.

1411. *Q.* You say that before the advent of the East India Company, India was sending abroad its manufactures. Would you give instances ?

A. All the instances are given in the note of Pandit Malaviya. He has given all the instances, such as piece-goods, shipbuilding, and several industries.

1412. *Q.* Have you heard that Egyptian mummies were found clothed in Indian fabric ?

A. Yes.

1413. *Q.* It was 2,000 years ago ?

A. Our articles went to all the places, England, France, Sumatra, Java, Straits Settlements, right up to the Philippines.

1414. *Q.* There is every likelihood that by a policy of encouragement, India can reach to the height of her industries ?

A. Yes. I wanted to have my say about Imperial Preference. I have not dealt with it at length in my answers. What we really want is Indian Preference and not Imperial Preference. The details, exports and imports, clearly show that Imperial Preference will be worse than the disease. I am prepared to give details. I have worked out the figures and I find that there will be heavy loss to India if we are not given fiscal autonomy.

1415. *Q. Sir Maneckjee Dadabhoy.*—In answer to Mr. Morarjee, you have stated that Government should give assistance to the paper industry. Would you in that category include temporary loans on easy terms to the industry also ?

A. Certainly.

1416. *Q.* In answer to Questions Nos. 31—32, you have advocated the imposition of a 7½ per cent. duty on raw hides. There is another view that the present duty has killed altogether the raw hides and skins industry of India. Have you got anything to state on that point ?

A. I think the unfortunate difficulty is that there is no protective duty against leather goods received from outside India.

1417. *Q.* Do you really believe that the 15 per cent. duty has killed the trade? There is no doubt that the hides and skins industry at present is in a very bad condition. There are no two opinions about that. But some people say that the imposition of the 15 per cent. duty has killed the industry, You. in fact, advocate a 7½ per cent duty. Have you anything to say against that view?

A. It is quite possible. I do not know the actual details.

1418. *Q.* In reply to Question No. 33, you say that it will be advantageous to India to impose an export duty on food stuffs. What food stuffs do you refer to?

A. Chiefly two items, wheat and rice.

1419. *Mr. Seshagiri Ayyar.*—I believe the witness has a Memorandum which shows that Imperial Preference would be disastrous to India. I should like to see it.

1420. *President.*—If you can explain it in a few minutes, we shall be glad to hear you.

Witness.—If a policy of Imperial Preference is adopted, then the object is really Protection within the Empire. There will be no protection at all for Indian industries. There will be losses and absolutely no gain for India. For instance, the imports of piece-goods from the United Kingdom alone are 89 per cent. Therefore the result of Imperial Preference cannot be of any great utility as against cotton goods, so far as the imports are concerned. The next item is sugar. That does not come from any part of the Empire. I will explain Imperial Preference. Take the United Kingdom and India. The United Kingdom lays down that if any articles are received from India they will charge only 3 per cent. but if it is received from any place outside the British Empire, they will charge 10 per cent. Again so far as India is concerned, it will be laid down that as far as the United Kingdom is concerned they would be charged 3 or 4 per cent. and those that come from other parts of the world would be charged 10 per cent. It means preference should be given by lower rates for places within the Empire.

1421. *Sir Montagu Webb.*—Supposing there was a duty of 50 per cent. on piece-goods coming from sources within the British Empire and 55 per cent. on piece-goods coming from outside the British Empire, how would India suffer by this? Supposing India imposes 50 per cent. duty on piece-goods coming from sources within the British Empire and 55 per cent. for goods coming from other sources, how would this be a loss to India?

A. In the first place the question of Imperial Preference is not decided by India alone. It will be regulated by the Empire as a whole. It will not be open to India to say 'we are giving you Imperial Preference and at the same time levying protective duties.' Conceding Imperial Preference will be depriving the right of fiscal autonomy. It will be in accordance with the arrangement between the several component parts of the Empire.

1422. *Sir Montagu Webb.*—I think the witness has misunderstood the meaning of Imperial Preference.

1423. *President.*—I take it that he is fundamentally right. Let us say that the import duty is represented by X, and that to the Empire it will be X *minus* Y, Y representing the preference. We have not decided what the extent of the preference is. That is what is meant by Imperial Preference.

1424. *Sir Montagu Webb.*—Of course if we have fiscal autonomy, it is another thing altogether. He is assuming that Imperial Preference means no fiscal autonomy for India. The witness has not told me how India would suffer if it levies a 50 per cent. import duty on cotton goods.

A. Cotton goods is one of the biggest items and it is useless to have Imperial Preference if we want to protect our industries in India. Protection will be useless when 89 per cent. of the goods cannot be protected. We cannot have protection against the articles coming from the British Empire to the extent to which we would in the absence of Imperial Preference. The second is the damages to our export trade. Our export trade will materially suffer. Thirdly, the consumer suffers. Fourthly, there is the financial loss, and fifthly, as even Lord Curzon said in 1903, we will be involved in commercial wars.

Witness No. 9.

WALI MAHOMED HASSANALLY, M.L.A., Karachi.

Written statement dated the 25th November 1921.

1425. *Q.* (1). Speaking generally, I am in favour of free trade subject to the exception that the protection and creation of such industries as India is capable of should be safeguarded. Therefore in my opinion imposition of custom duties will serve the object of protection of such industries as well as bring in revenue.

1426. *Q.* (2). We Indians are as a rule averse to direct taxation except perhaps to a certain extent in large towns and cities. Therefore I answer the first part in the affirmative. As to the 2nd, I would prefer an increase in customs and not recommend an increase in direct taxation which is obnoxious to the people.

1427. *Q.* (3) and (4) Generally speaking luxuries would bear an increase. I would suggest therefore a revision with a view to the protection and creation of Indian industries and also in the rate of building materials, European made provisions, etc.

1428. *Q.* (5). The policy in the past has by no means tended to foster, encourage, develop or protect Indian industries. In fact it has been complained all over India that Indian interests are subordinated to European interests. It should be altered and industrial development ought to be the main consideration, though perhaps not the only consideration so far as fiscal policy is concerned.

1429. *Q.* (6) By no means. I am strongly against the 3½ per cent. excise on Indian mill manufactured goods. Such a duty must place Indian goods at a disadvantage.

1430. *Q.* (8) No.

1431. *Q.* (9) Yes. By fostering industries India becomes self-reliant and more prosperous by increasing the wealth of the country benefiting both capital and labour.

1432. *Q.* (10) India is rich in all kinds of raw material. There is no reason therefore why it should not in course of time be independent of other countries in respect of all manufactured goods though that will take time and much will depend upon what shape its fiscal policy is shaped.

1433. *Q.* (11) To begin with, protective duties should be put upon such foreign goods as are likely to come into competition with already developed Indian industries and such as are in the course of development.

1434. *Q.* (12) Key industries first and then gradually such as lend themselves most easily to development by virtue of the raw material being most easily accessible, adaptability of labour and other local conditions. Cotton cloth can, for instance, in my opinion, if protected be developed very considerably in the near future to clothe all India.

1435. *Q.* (13) Certainly. See the answer above.

1436. *Q.* (14) In the beginning such industries as will within a reasonable time face foreign competition. I would not encourage such industries as would require perpetual assistance. Such had better be left to those countries which can produce them cheaper without fear of competition. But I can hardly contemplate such a contingency.

1437. *Q.* (15) Yes. By having Consuls in foreign countries. I would give the necessary protection by subsidies and bounties and by prohibitive import duty whichever be necessary.

1438. *Q.* (16) Hand-loom industry ought to be encouraged as far as possible though I am afraid machine-made goods will hardly allow the hand-loom industry to make headway. Hand-loom industry will always remain as a side industry and can be encouraged by Co-operative Societies and similar other means.

1439. *Q.* (17) I entertain no such apprehensions.

1440. *Q.* (18) Let us have an open door for all in all

countries. So long as no preference is shown to foreign firms they should be welcome as we should learn much from them.

1441. *Q.* (19) Such conflicts may arise but it will not be difficult to adjust them.

1442. *Q.* (20) The most part of it is passed on to the consumer.

1443. *Q.* (21) It cannot be permanent. It will only last until the local industry develops. Then competition must set in and reduce the price.

1444. *Q.* (22) Yes. In my opinion the rise of price would not be prohibitive ; and all who have the prosperity of the country at heart will cheerfully bear it.

1445. *Q.* (23) I have just said that the price would not necessarily be prohibitive. In this connection the interests of the agriculturists and the masses are to be considered. The necessaries of life of this class is even now supplied by India in a great measure because their food stuffs are locally raised and their clothes are locally made. Therefore protective duties are not likely to affect them much. But even if it did they would be more than compensated by the prices of food grains exported.

1446. *Q.* (24) As a rule imported articles are such that the masses hardly use them. They would not be affected. Almost all wage-earners are able to impose their own terms. The servant class or more generally people with fixed incomes may be slightly inconvenienced but not appreciably in my opinion.

1447. *Q.* (25) This is rather a difficult question to answer but if protective duties encourage and develop industries as it is expected, the general prosperity of the country must improve and with it the commercial prosperity also. For a long time to come foreign trade will not be appreciably affected, when it is, it will be worth while. If there is a set back to the commercial position it will only be temporary. In the long run the prospects of the country will improve as has been the case with Japan.

1448. *Q.* (26) Yes.

1449. *Q.* (27) Yes.

1450. *Q.* (28) Yes.

1451. *Q.* (29) Yes.

1452. *Q.* (30) Export duties should not be levied to such an extent as to affect the export of Indian produce or Indian made articles, especially grains and oil-seeds and the like. Export duties should be imposed for revenue as well as other purposes also.

1453. *Q.* (31) *Per se* export duty is expected to affect trade; but this effect can be nullified or minimised by a judicious regulation of the tariff. Jute can bear a much higher duty because India has the sole monopoly. Rice can also bear a much higher duty, as the same is exported to ports in the Indian Ocean and merchants reap a rich harvest therefrom as there is no competition from other countries. The duty on hides should be uniform for all countries and should be only about 5 per cent. Wheat may also possibly bear a small export duty because any lowering of its prices may be compensated by the general lowering of wages.

1454. *Q.* (32) This is also a difficult question to answer. At the present stage I would not advocate an export duty on all raw material because a good deal of exploitation of raw material is required at heavy cost and any duty thereon will necessarily retard such exploitation. Nor can all such raw material as is produced be used up in India at present at the cost of production. Cotton however may possibly bear a small export duty because it will largely be required for local industry.

1455. *Q.* (33) No. Such an action would be to the detriment of agricultural development of India which also requires careful fostering. But I have advocated above a judicious use of export duties so as not to check agricultural produce from export such as wheat, oil-seeds and the like. *En passant* I may state that both import and export duties may be said to affect adversely the zemindar though temporarily. Export duties the more so than import duties, because his consumption of foreign manufactured goods is comparatively small. In regard to such duties if he looks to selfish or personal interests only he would be against both. But if he looks also at the broader interests and prospects of the country he would ungrudgingly shoulder the sacrifice involved in the duties and patriotically face with the rest of the consumers the higher cost of living as also the adverse competition of other countries. And the future is bound to do him considerable good. As once the Indian industries are fully developed and can withstand foreign competition, the local consumption is bound to increase and the raw material is bound to fetch better prices with less risk. The cost of living would also be less and the credit of this class is bound to be restored.

Oral evidence, Karachi, the 30th November 1921.

1456. *President.*—In answer to the first question, Mr. Hassanally, you say that, speaking generally, you are in favour of free trade, "subject to the exception that the protection and creation of such industries as India is capable of should be safeguarded." But as far as I can make out from your subsequent answers, they appear to be almost entirely on the side of Protection ?

A. Exactly so.

1457. *Q.* Then you cannot be a free trader and protectionist at the same time ?

A. Protection also cannot go beyond a certain limit.

1458. *Q.* I can understand your being in favour of a policy of Protection, protection to the extent that is necessary for the development of industries.

A. Exactly, beyond that I do not go.

1459. *Q.* I am merely asking you to explain your real position to us. I am not criticising you. I want to know whether you are a free trader or a protectionist ?

A. As I said just now, I am not a free trader out and out, and I have distinctly said in my answers to the subsequent questions that I want Protection as far as we need it, and therefore my first answer is not inconsistent with my remaining answers by reason of the fact that I have qualified my assertion with regard to free trade, subject to Protection wherever necessary.

1460. *Q.* I hope you realise what is the meaning of free trade ?

A. I hope I do.

1461. *Q.* In that case a free trader cannot advocate Protection, even if it is necessary. He wants to have an open market ?

A. I am afraid the Commission is perhaps misled by my using the word free trade. I do not think it should be, because that very word 'free trade' I have qualified.

1462. *Q.* The word being there, it is likely to cause misapprehension, and therefore I want you to define your position clearly to the Commission. I do not mind your being a free trader or a protectionist. I want the Commission to know really what your views are.

A. My view is for protecting industries wherever legitimately necessary.

1463. *Q.* In answer to Question No. 11, you say that "protective duties should be put upon such foreign goods as are likely to come into competition with already developed Indian industries and such as are in the course of development." Am I to understand by the words "such as are in the course of development" that you would not grant protection to new industries to be established hereafter ?

A. I have said "to begin with." That does not mean I am not in favour of protective duties being imposed with regard to new industries.

1464. *Q.* That is to say you would protect industries that are already established, those that are in the course of establishment and those that may have to be established in future which indicate or which show indications of being successful ?

A. Yes.

1465. *Q.* In answer to Question No. 12, you say in the latter part "cotton cloth can, for instance, in my opinion, if protected be developed very considerably in the near future to clothe all India." So, your policy would be to regulate tariffs in such a way as to make India as far as possible clothe itself entirely ?

A. Yes.

1466. *Q.* I would like you kindly to explain a little more fully the latter part of your answer to Question No. 23.

A. What I mean is this. So far as the agriculturists are concerned, they would not like any import duties being placed upon foreign goods that they consume, nor perhaps would they like export duties for raw materials being exported out of India, but that is not the only consideration that we ought to have. We ought to look to the general good of the country and India particularly. We Indians would like that our industries should develop and that in course of time we should be self-reliant and self-dependent as far as possible. As far as necessaries of life, foodstuffs

for instance are concerned, I do not think we import them for the purpose of Indian masses. Even cloth that is required for the masses and the agriculturists particularly is locally produced. They do not use much of foreign cloth. Only the higher classes of zemindars and others use foreign cloth. Therefore if we put on a duty upon imports, it would not affect them much. My opinion is that the agricultual population is clothed by India almost entirely at the present moment, and they are fed by India. Therefore any duty that is imposed will not affect them to any appreciable extent.

1467. *Q.* Don't you think that the imposition of import duties would raise the price of locally made goods, and in that way affect the masses or agriculturists ?

A. No. I do not think so, because their consumption is so small and so simple that they would not be affected very materially. Even if the price of locally made cloth is raised by the import duty, it will not be very appreciable.

1468. *Q.* You would not object to it ?

A. No.

1469. *Q.* Will you please explain what you mean by the words "for other purposes" in your answer to Question No. 30 ?

A. If I mistake not, I have taken the words from the Question. I have no particular purpose in mind.

1470. *Sir Edgar Holberton.*—In reference to Question No. 31, am I to understand that you are speaking for your province or for the whole of India ?

A. Primarily for my province. I am not acquainted so well with the whole of India.

1471. *Q.* The facts you state in reply to this question will be true to your province ?

A. Yes.

1472. *President.*—I forgot to ask one question. You appear before the Commission as a representative of the zemindar class and you are a zeminder yourself ?

A. I am a zemindar myself, but I cannot possibly claim to be a representative of the zemindars, because I have not been asked by any zemindars' Association to appear before the Commission. I was asked by the Commissioner by telegram three or four days ago to write a statement from the zemindar's point of view.

1473. *Q.* Therefore the Commissioner has selected you to give your evidence as representing the agricultural classes ?

A. That is for the Commissioner to say, and not for me.

1474. *Q.* You are a Member of the Legislative Assembly representing the zemindars of the province ?

A. Yes. So far as I am concerned, I should like to put myself as representing myself, not being elected or sent here by any deputation of zemindars.

1475. *Q.* As an agriculturist ?

A. Yes. I represent what I feel ought to be the view of the zemindars or agricultural classes.

1476. *Sir Edgar Holberton.*—In reply to Question No. 31, you say that "rice can also bear a much higher duty, as the same is exported to ports in the Indian Ocean and merchants reap a rich harvest therefrom as there is no competition from other countries ? "

A. So far as I am aware.

1477. *Q.* You refer to the little local business which they do from Karachi ?

A. I do not think rice is very much exported to Europe, or any other country.

1478. *Q.* Yes, it is exported from other provinces. You are just speaking from your local knowledge ?

A. So far as I am aware rice is not much consumed in Europe.

1479. *Q.* I can assure you that there is a very good market.

1480. *Mr. Narottam Morarjee.*—In reply to Question No. 15, you say "by having Consuls in foreign countries." Are there not Consuls in foreign countries ?

A. No Consuls to represent India.

1481. *Q.* There are British Consuls ?

A. Indians should be sent out to represent India directly.

1482. *Q.* You mean that Indians should be sent as Consuls ?

A. Yes.

1483. *Sir Montagu Webb.*—In answer to Question No. 5, you say that "industrial development ought to be the main consideration, though perhaps not the only consideration so far as fiscal policy is concerned." What is your reason for thinking that industrial development is the chief thing that should be considered ?

A. Because so far as I am aware the industrial development of India has been neglected up to now.

1484. *Q.* Have you had any personal experience of the building up or the development of an industry ?

A. No.

1485. *Q.* Have you had any mercantile or trader's experience ?

A. No.

1486. *Q.* I gather from your wrritten answers that you are nevertheless of the opinion that the best way of building up industries would be by the aid of a protective tariff ?

A. Yes.

1487. *Mr. Coyajee.*—In answer to Question No. 5, you say : "It should now be altered and industrial development ought to be the main consideration though perhaps not the only consideration so far as fiscal policy is concerned". You mean that we must look to the claims of revenues also ?

A. Yes, especially in these times. We should have a sort of compromise between the claims of protection and revenue, because revenue must be had. That is also my point.

1488. *Q.* In answer to Question No. 14, you say : "In the beginning such industries as will within a reasonable time face foreign competition." That is to say, infant industries which are promising and likely to face foreign competition ?

A. Yes. But I do not think it is possible that there will be industries which will require perpetual assistance.

1489. *Q.* In answer to Question No. 33, you state "*En passant* I may state that both import and export duties may be said to affect adversely the zemindar though temporarily". I want that statement cleared up a bit.

A. As I explained to the President, Sir, a zemindar who does not know much and has got very little education and enlightenment, might say " I want cheap cloth for myself and my men, and I want good price for my crops." That might be his view. But he must have a broader outlook. Industrial development must also be his main object side by side.

1490. *Mr. Seshagiri Ayyer.*—When you say that industrial development should be the main object, I believe you have in mind the idea that by industrial development the country will become richer and would be able to withstand a famine better ?

A. Certainly. Not only famine, but everything else. She will become self-dependent and self-reliant. For instance, during the war, you may remember that all our supplies from Europe were cut off and that we were very badly off all the time the war continued. Such a catastrophe ought to be avoided as far as possible, and that can only be done by the development of our own industries.

1491. *Mr. Birla.*—I would like to know your views exactly about an export duty on food stuffs. Are you in favour of or against imposing an export duty on food stuffs ?

A. I think what ought to be able to bear a little export duty.

1492. *Q.* What would you suggest ?

A. I cannot say. That requires considerable experience, which I do not possess. But my point is this : Wheat is generally exported by European firms and they export according to the price of wheat in Europe. It is generally higher than the prevailing price of wheat here in India. Therefore I do not think that if a small duty on wheat were imposed it would necessarily retard the trade, because the margin of difference between the price of wheat here *plus* the export duty and the price there is in my opinion considerable.

1493. *Q.* So you think that a moderate export duty on wheat won't injure the interests of the agricultural classes ?

A. I think there will not be any harm done by a moderate export duty one way or the other.

1494. *Mr. Mant.*—In your answer to Question No. 10, you say that there is no reason why India should not in course of time be independent of other countries in respect of all manufactured goods. I take it that it is rather an ideal which you hope for in course of time. You look at it as a practical possibility ?

A. I should think so.

1495. *Q.* I do not know of any country myself. Perhaps you will tell me whether there is any country that has made itself independent of all manufactured goods ?

A. By all manufactured goods I do not necessarily mean every kind of manufactured goods. There may be some which we may not be able to develop at all in India and for which we may have to depend on others. But that will be for very minor things. I mean for all principal articles we may be independent.

1496. *Q.* Then you mean the greater part of manufactures ?

A. Almost entirely, you may say. India is a big country. There is plenty of raw material of every kind, and we ought to be able in course of time, though it may be a long

time, 20, 40 perhaps even 100 years, to be independent of other countries. I think that ought to be our aim, and in course of time I should not wonder if India becomes ultimately independent of other countries for manufactured goods.

1497. *Q.* Can you give an instance of a country which has made itself independent of all manufactured goods?

A. For instance, the United States of America and Japan.

1498. *Q.* But the United States have large imports of manufactured articles? I believe I am correct in saying that there are also large exports of raw materials. They are much the greatest country in the world having very large imports. So also is Japan.

A. I have no experience of that kind. But from the fact that they are supplying a lot of manufactured goods I thought they are almost independent. Japan supplies articles of inferior quality. We get them cheap but they are no good.

1499. *Q.* So you do not think that it is really the case that the foreign trade of a country is maintained by the manufactured goods for which there are special facilities?

A. That is the first thing we must look to. We ought to have a broader outlook as well.

1500. *Q.* Do you know whether there is anything special in the circumstances of India to differentiate it from other countries?

A. I cannot say. I cannot give any special reason.

1501. *Q.* In answer to Question No. 12, you say that key industries should be developed first. What do you mean by a key industry?

A. I think a key industry means a principal industry upon which we depend. But I was reading a newspaper last night in which Mr. Price puts a different interpretation.

1502. *Q.* The term is very often used, but I am not sure whether there is any very clear definition of it.

A. I used it in the sense of the principal industries.

1503. *Q.* You mean those industries which one must have, and which have already been developed to the largest extent. That is what you mean by key industries?

A. Yes.

1504. *Q.* In your answer to Question No. 33, you say that as a result of a protective policy the cost of living would be less. Of course if you can prove that I think you will convert every opponent of Protection to your view. One doubt is that in all protective countries the cost of living has been raised by Protection?

A. Permanently?

1505. *Q.* Permanently, I should say. That is my reading of economic history.

A. I cannot say that it will raise the cost of living permanently. It should not.

1506. *Q.* Can you give an instance?

A. No.

1507. *Q.* It is merely your opinion. You cannot give any instance?

A. It is only my opinion.

1508. *Jamnadas Dwarkadas.*—You are a retired Government official?

A. Yes, a retired Deputy Collector.

1509. *Q.* Where were you a Deputy Collector?

A. In Sind.

1510. *Q.* For how many years?

A. My total service is 33 years. I retired 5 years ago. I was Deputy Collector for about 15 years.

1511. *Q.* So you have had a good deal of experience of the province of Sind.

A. Yes. I also served for two or three years in Gujerat.

1512. *Q.* In your answer to Question No. 5, you say that "industrial development ought to be the main consideration, though perhaps not the only consideration so far as fiscal policy is concerned." Would you go so far as to say that the whole future prosperity of India depends upon this industrial development?

A. Not only industrial development. Our prosperity depends upon agriculture as well. But I certainly would not put industry behind agriculture or agriculture behind industry.

1513. *Q.* If there is no iron and steel development then India will have to be dependent on other nations?

A. Most certainly.

1514. *Q.* You think that with reasonable protection you can re-start the development of the industries in the country?

A. I hope so.

1515. *Q.* Mr. Mant raised the question of the price for the consumer being permanently raised. The effect would be that the price may be raised a little in the beginning but when the industries are thoroughly devoloped the price would go down?

A. Because large quantities will be produced.

1516. *Q.* When the industries are thoroughly developed would you then recommend a free trade policy and then remove the protection to the industries?

A. That is a question which I can hardly answer at the present moment. It may take 100 or more years. Circumstances may change. It is very difficult to prophecy at this juncture.

1517. *Q.* You would have Protection for the purpose of encouraging industries. But you don't want permanent Protection.

A. As soon as we are able to compete with foreign countries, then no Protection will be necessary.

1518. *Q.* In answer to Question No. 24, you say that as a rule imported articles are such that the masses hardly use them. They would not be affected. Do you mean to say that the people to be affected are people who do not matter really. They are not the masses of the population?

A. They are not the masses. Those affected can bear the duties better than the agricultural classes, who will not be affected much.

1519. *Q.* In your opinion they would cheerfully bear them for the purpose of benefiting the country?

A. I should think so.

1520. *Sir Maneckjee Dadabhoy.*—In your answer to Questions Nos. 3 and 4 you say "I would suggest therefore a revision with a view to the protection and creation of Indian industries and also in the rate of building materials, European made provisions, etc.," Would you advocate a heavy duty on iron girders and metals?

A. Not necessarily a very heavy duty. We require them.

1521. *Q.* You classify them under luxuries?

A. Yes.

1522. *Q.* And European made provisions, oilman stores?

A. Yes.

1523. *Q.* With reference to your answer to Question No. 11, will you enumerate the industries which come into competition with already developed Indian industries?

A. At the present moment I am sorry I cannot.

1524. *Q.* You cannot give any?

A. No.

1525. *Q.* In your answer to Question No. 32 you say "Cotton however may possibly bear a small export duty because it will largely be required for local industry." You do not advocate an export duty on cotton, do you?

A. I do, because cotton will be required more and more if we are going to manufacture all the cloth wanted for the country and if we are to make India self-dependent and not import cotton goods from other parts of the world.

1526. *Q.* But do you know that India does not consume even one-third of the cotton which she produces?

A. No. But I should like India to consume her stock as far as possible.

1527. *Q.* Do you know that the export of cotton to Japan and to Europe would benefit the producers of cotton because they would get high prices?

A. Yes.

1528. *Q.* Do you know that if an export duty is put on cotton it might come into conflict with cotton from other countries and might detrimentally affect the interests of the cotton producer in India?

A. That will depend not upon the fact that you put a duty on cotton but upon the amount of the duty. If you put a heavy duty the result anticipated by you will follow. If you put a light duty, it may not really matter at all.

1529. *Q.* Would it really be in the interests of India to put an export duty on cotton?

A. —If we are going to develop the cotton industry first, which I think is the most feasible thing to do, then for all mills that we have got in India and other mills that will be started.....

1530. *Q.*—There are numerous cotton mills in India and there are not likely to be many more immediately. As I have told you India does not consume even one-third of the cotton grown in India. Would you not like free export in the interests of the grower of cotton?

A. I would certainly have the interests of the grower at heart. But it seems to me that if we put a small duty on cotton it will make more mills to be started in India.

1531. *Q.* Will you please explain how?

A. Because if more cotton is retained it must be utilised, and some more venturous people might start fresh mills in India.

Witness No. 10.

S. N. INDIAN PIECEGOODS MERCHANTS' ASSOCIATION, Karachi.

Written statement dated the 16th November 1921.

1532. *Q.* 1. We are in favour of Protection but Customs Duties should only be levied on imported articles and on raw materials also wherever necessary.

1533. *Q.* 2. Tariff provides a more suitable form of taxation in India than direct taxation. If fresh taxation is necessary, we would prefer an increase in Customs Duties on imported articles, *which are not the prime necessaries of life.*

1534. *Q.* 3. Suggest the following changes in the duty of the imported articles :—

Duties should be increased on precious stones and all articles of luxury such as precious stones, liquor, tobacco, scent, etc.

1535. *Q.* 4. No. We would prefer the policy mentioned above.

1536. *Q.* 5. The present policy does not encourage Indian industries.

1537. *Q.* 6 and 7. We do not approve, either in theory or in practice, of any excise duty on goods manufactured in India, except of course wines and other intoxicating drugs.

1538. *Q.* 8. Duties on any article must raise the price to the consumer.

1539. *Q.* 9. Yes. Tariff should be framed primarily for fostering Indian industries. Advantages of industrial development of a country are too obvious to be narrated. England, America, Germany and Japan are illustrations of industrial development.

1540. *Q.* 10. We doubt if India will always depend on other countries in the world for her supplies. Her large resources of various kinds will enable her to satisfy all her economic wants in due course of time.

1541. *Q.* 11 and 12. We favour protective duties on all imported manufactured articles save prime necessaries of life.

1542. *Q.* 13. It is desirable to establish new industries by protection. The manufacture of articles which are largely consumed locally should be selected for protection in the first instance.

1543. *Q.* 14. Protection should also be provided for those industries which are likely after a period to be able to face foreign competition without such assistance.

1544. *Q.* 15. Special protection should be granted against foreign goods favoured by such measures as dumping, bounties, subsidies and transport concessions. In addition to imposing duties on such goods, similar concessions should be given to Indian manufactured goods when exported.

1545. *Q.* 16. Hand industries should be encouraged and maintained as much as possible.

1546. *Q.* 17. There is very little danger of combination of manufacturers in India to raise prices unreasonably. If that does happen, consumers may be protected by special legislation.

1547. *Q.* 18. We have no objection to British or Foreign industrial Firms establishing here in order to get the benefit of a protective tariff, provided of course that 50 per cent. of the capital invested is Indian capital.

1548. *Q.* 19. There is no likelihood of conflicts between producers of raw materials and the manufacturers, as the Indian markets are too large to admit of such conflicts and combinations.

1549. *Q.* 20. Ordinarily the import duty is passed on to the consumer as it is added to the price of goods.

1550. *Q.* 21. Sometimes the rise is permanent and at other times manufacturers try to cut down their prices in order to adjust the difference.

1551. *Q.* 22. Yes. We would be willing to accept an increase in price to the Indian consumer for the sake of developing Indian industries. The consumers generally will make up their losses indirectly by the development of industries in the country.

1552. *Q.* 23. We would have regard for the *prime* necessaries of life only. We consider ordinary food, medicine and housing as the prime necessaries of life. Ordinary food and house materials are not imported but are all produced in India and require no protection. Medicines should be allowed to be imported free.

1553. *Q.* 24. Increase in tariff would tend to increase the cost of living and the increased cost would eventually be covered wholly by a rise in wages and salary for all classes.

1554. *Q.* 25. Foreign trade of India may suffer a little by a policy of protection but the advantages derived by industrial development will be far greater.

1555. *Q.* 26, 27 and 28. We do not consider the use of tariff for bargaining will be advantageous to India because India is not a manufacturing country.

1556. *Q.* 29. Department of Commerce and Industry should be reorganised so as to be capable to carry out the policy of Protection.

1557. *Q.* 30. We are in favour of export duty including such articles as are procurable or produced exclusively in India either for raising revenue or for any other purposes.

1558. *Q.* 31. Export duty affects adversely the export trade of India. So far as we can judge, Jute is the only article where export duty can be imposed without much injury to the trade.

1559. *Q.* 32. We do not consider it advisable to impose an export duty on raw materials in order to encourage their retention in India.

1560. *Q.* 33. When there is scarcity of food-stuffs in India, exportation should be totally prohibited rather than imposing a high export duty.

1561. *Q.* 34. It may be advisable to impose an export duty on raw materials in retaliation of import duty imposed by a foreign country on the manufactured article. We do not know of any such cases.

1562. *Q.* 35 to 42. We are not in favour of Imperial Preference.

1563. *Q.* 43 to 78. We do not answer because we are neither manufacturers nor exporters nor importers.

1564. *Q.* 79. We deal in piecegoods only.

1565. *Q.* 80. We cannot give any details of changes in retail prices of imported goods from 1916 onwards caused by increase in import duty.

1566. *Q.* 81. We cannot give any figures showing the extent of demand diminished by rise in prices.

1567. *Q.* 82. Increase of Customs duty has not affected imported Piecegoods trade but the decrease in Piecegoods trade this year is due to famine.

1568. *Q.* 83. Raising of duties on foreign goods will adversely affect trade in same.

Oral evidence of Mr. Sukhram Dharamdas, representative of the Satya Narayan Indian Piecegoods Merchants' Association, Karachi, the 30th November 1921.

1569. *President.*—Your answer to Question No. 3 represents your suggestions for increased import duties on the articles mentioned for revenue purposes? You recommend these duties purely for revenue purposes and not for protective purposes?

A. Yes.

1570. *Q.* In answer to Questions Nos. 11 and 12 you favour protective duties on all imported manufactured articles, save prime necessaries of life. Now, do you think that India can manufacture successfully every article that she imports now from abroad?

A. Yes. I have said that in one of my answers.

1571. *Q.* Therefore import duties should be levied on everything except prime necessaries of life.

A. Yes.

1572. *Q.* You do not think India cannot manufacture any of the articles?

A. Sooner or later she can manufacture all articles.

1573. *Q.* In answer to Question No. 15 you say "Special protection should be granted against foreign goods favoured by such measures as dumping, bounties, subsidies and transport concessions. In addition to imposing duties on such goods similar concessions should be given to Indian manufactured goods when exported." That is to say, you want to build up an export trade in manufactured goods and in order to help to capture other markets you would give similar concessions for export, and in that way build, in the interest of India, an export trade in manufactured articles.

A. Yes.

1574. *Q.* In answer to Question No. 21 you say "Sometimes the rise is permanent and at other times manufacturers try to cut down their prices in order to adjust the difference." I think there is some misunderstanding there. Of course the operation of competition will prevent a rise in prices, and therefore it is not definite that the whole amount of the duties imposed will be paid by the consumer. In some cases the amount varies.

A. This answer of mine has reference to the present circumstances. At present the duty on piecegoods has been increased to 11 per cent. It is not necessary that the whole of the 11 per cent. is borne by the consumer: partly it is borne by the manufacturers also.

1575. *Q.* You have given an answer that sometimes the rise is permanent. If you refer to the question you will see what is required of you. "If a protective duty causes a rise in price, is that rise likely to be permanent or not?"

A. In that case my answer is clearly no.

1576. *Q.* In answer to Question No. 33 you say that "When there is scarcity of food-stuffs in India, exportation should be totally prohibited rather than imposing a high export duty." Don't you think that famine and scarcity are of varying degrees in different years in India?

A. Yes.

1577. *Q.* If that is so, there may be years in which prohibition of the export of all food-stuffs would be a good policy, while in other cases, when the scarcity is not general, there may be some spare food-stuffs which could without difficulty be exported?

A. That requires very careful consideration. Last year Government thought that 4 lakhs tons of wheat could be exported and we exported that quantity, but later on we had no wheat for India.

1578. *Q.* In varying conditions the measure of protection may be either total prohibition or regulation by a high export duty?

A. When the protection is regulated by a high export duty with the object of preventing export from India great caution should be exercised.

1579. *Sir Edgar Holberton.*—In your answer to Questions Nos. 26—28 you say that India is not a manufacturing country?

A. To as great an extent as it might be. Practically India is not a manufacturing country at all looking to the magnitude of India and the number of her population. It is practically an agricultural country. A few are living from hand to mouth by shopping.

1580. *Mr. Narottam Morarjee.*—Can you tell me how far Indian mills compete with English piecegoods?

A. Fortunately circumstances have helped the Indian mills to compete successfully with Manchester in lower counts and coarse cloth.

1581. *Q.* Do you think that it is the 11 per cent. duty that has helped India to compete with Manchester in the lower counts? Do you know that England does not get lower grade cotton but it imports cotton from America and it is mostly in the higher grades that England competes in India?

A. That is also one of the reasons, but England has too much to do in higher grades, and does not care to manufacture lower grades.

1582. *Q.* Your argument, therefore, that Indian mills compete with English mills in lower counts does not hold good?

A. Yes.

1583. *Q.* Do you think that *khadi* can compete with mill-made cloth?

A. *Khadi* is a hand industry and large quantities cannot be produced and that cannot therefore compete with the mills.

1584. *Q.* Even now the mills produce *khadi*?

A. That is on account of the first enthusiasm.

1585. *Q.* Do you think that the *khadi* movement will decrease the import of English goods?

A. I do not think that it will.

1586. *Q.* You say that the increase of customs duty has not affected the imported piecegoods trade, and that the decrease in piecegoods trade this year is due to famine. Is it only due to famine or some other cause?

A. There is no other reason,—love for Swadeshism.

1587. *Q.* You deal in piecegoods. Can you tell me what was the average price of cloth per yard—2, 3 or 4 annas—before the war and what it is now?

A. A print which before the war could be had for 3 annas 6 pice a yard is now available for 12 annas.

1588. *Q.* As the price has gone up rather high, do you think consumption has been lessened?

A. On account of the increase in duty consumption has not been decreased. If the duty is further increased, I cannot say how it will affect the trade.

1589. *Q.* You say that the increase in customs duty has not affected the trade?

A. The duty is not high.

1590. *Q.* If a high enough duty is levied then consumption will be reduced?

A. Yes.

1591. *Sir Montagu Webb.*—In your reply to Questions Nos. 43—78 you say "We are neither manufacturers, nor exporters nor importers." Can you tell us exactly what the Satya-Narain Piecegoods Merchants' Association is?

A. We deal in piecegoods; we do not directly import piecegoods from Europe; we buy from European merchants.

1592. *President*: You are local dealers.

A. We are wholesale local dealers.

1593. *Sir Montagu Webb*: Where do you buy the majority of your imports?

A. From European merchants in Karachi.

1594. *Q.* Your Association does not buy direct from England, but buys through European houses?

A. Yes.

1595. *Q.* In answer to Question No. 1 you say you are in favour of protection. Will you say how your members will benefit by protection?

A. The piecegoods merchants will benefit by protection because if the industry develops in India they will resort to start mills. If they do so they will naturally be benefited very much more than they are now, by the present system of making middle-man's profit only.

1596. *Q.* I do not quite follow the reply. Your present imports, I take it, are mostly from European mills. But if you increase the production in Indian mills you say that will benefit your merchants. Will you get greater profits?

A. The profits of the mills and the labour earnings will remain in India, instead of in Manchester and this will indirectly benefit us.

1597. *Q.* I do not understand your idea. You represent the Piecegoods Merchants' Association of Karachi. How will your members benefit? Is it that because they will buy from Indian mills, they will make bigger profits?

A. Directly it may not make much difference, but indirectly it will benefit the country as explained above and so the individuals of the country will naturally benefit.

1598. *Q.* In your answer to Question No. 23 you say clothes are not among the prime necessaries of life,—only food, medicine and housing?

A. Cloth was not touched because the coarse cloth which is used by the masses is produced by the mills in India and therefore India is to some extent independent for that coarse cloth, and therefore it is not considered necessary for the purpose of importation.

1599. *Q.* But there is more coarse cloth imported?

A. But India could live without imports if a little more energy is shewn in India on the manufacture of cloths.

1600. *Q.* Can you give us an idea of the amounts of imported and locally manufactured cloth?

A. 60 to 40 per cent.. I think.

1601. *Q.* You mean 40 per cent. is manufactured in the country and 60 per cent. is imported?

A. I think so: that is my presumption.

1602. *Q.* In your answer to Question No. 83 you say that the raising of the duties will adversely affect trade in foreign goods. How will it adversely affect it?

A. Because the consumption of foreign goods will be small and the turnover will be naturally small.

1603. *Q.* Do you mean to say that the effect of the rise in import duty will be to raise the price of foreign goods?

A. Yes, and consequently reduction in the turn over.

1604. *Q.* Do you consider it of any advantage to the consumer to have to pay a higher price for his clothes?

A. Yes, because he will have to pay temporarily and not permanently, and in the long run he will have to pay less. The wealth of his country will increase and he will prosper.

1605. *Q.* You are satisfied that the price will be only

temporarily high. Could you tell me of any protective country where prices have been only temporarily high?

A. I have read books and I know of America. At first America was entirely dependent on England and when Americans took to Swadeshism they had to pay higher prices or they had to use coarser cloth. But eventually when America was able to manufacture cloth in larger quantities their cost was reduced.

1606. *Q.* Can you explain how it is that the United States which grows so much raw cotton is unable to compete with Lancashire in India?

A. It is more for the United States to answer than for me.

1607. *Q.* You are unable to say why it is that the United States, although they have got the raw material cannot compete with the United Kingdom?

A. It is for them to answer.

1608. *Mr. Coyajee.*—In your answer to Question No. 9 you say "Tariff should be framed primarily for fostering Indian industries." Now, I want a little light on this point. If a conflict comes on between the claims of revenue and of protection what choice would you make? Suppose you find that the maximum revenue would be raised by an import duty of 10 per cent., but that the home industry in the same article wants a protective duty of 20 per cent., would you put a 10 or 20 per cent. duty? By 20 per cent. you would be damaging your customs revenue.

A. Then Government should find other sources of revenue. I would impose a 20 per cent. duty.

1609. *Q.* Then, with regard to your answer to Question No. 18. You say that you have no objection to British or foreign industrial firms establishing themselves in India in order to get the benefit of a protective tariff. What is the advantage of having these foreign firms here?

A. Because it is better to have something than nothing.

1610. *Q.* Do you mean that they will teach us initiative?

A. Yes, and also half the capital will be Indian.

1611. *Q.* If our capital is otherwise engaged, then you cannot share in these investments. On account of Protection many industries will be started and we cannot provide the capital for all these, and we may not be able to provide even half the capital for the foreign companies in India.

A. Government cannot give Protection to all the industries at the same time. Government will give Protection gradually.

1612. *Q.* The policy of Protection should be adopted gradually?

A. Of course, it should be gradual.

1613. *Q.* You mean the industry with the best prospects of success should be started first?

A. I have said that in one of my answers.

1614. *Q.* In answer to Question No. 19 you say "When there is no export duty on the produce of the country, there is no likelihood of conflicts between producers of raw materials and the manufacturers." When you give protection to iron and steel manufacturers there is a conflict between their interests,—the interests of the iron and steel manufacturers,—and the producers of the agricultural machinery. Then what would you do? If you put an import duty on iron and steel, then the price of iron and steel rises in the country and therefore the maker of agricultural machinery finds his raw material rises in price. That is one part of the obstacle to a policy of protection. How would you manage that, for instance?

A. Agriculture is the fundamental industry of India, which India cannot afford to sacrifice. On the contrary we can afford to sacrifice anything in order to keep our agricultural industry intact.

1615. *Q.* Then you would lower the protective duties on iron and steel manufactures?

A. Yes.

1616. *Mr. Seshagiri Ayyar*: With regard to Questions Nos. 11 and 12, you state "We favour protective duties on all imported manufactured articles, save prime necessaries of life" and you have given the definition of necessaries of life in reply to Question 23. I will put a concrete case before you. Take the case of machinery from England which is necessary for the starting of Indian industries in this country. Would you not like that they should be exempted from import duty till industries in this country are in a position to stand on their own legs?

A. Yes.

1617. *Q.* You would bring them under necessaries of life?

A. If they are not classed as necessaries of life, we may say they are necessaries of the country for the time being.

1618. *Q.* You would make an exception in favour of such things as are necessary for starting industries in this country?

A. Yes.

1619. *Q.* In your answer to Questions 26 to 28, you say "We do not consider the use of tariff for bargaining will be advantageous to India, because India is not a manufacturing country." I do not know whether you have considered the question fully?

A. Surely there does exist some misunderstanding about this word "bargaining." I have heard witnesses who gave evidence during the last two days, and I think I should state that bargaining wherever necessary for the benefit of India may be effected; where it gives pecuniary benefit to India or where it increases the prestige of Indians in other countries, it may be effected.

1620. *Q.* And secures other advantages to the country?

A. Yes, then India should have no objection.

1621. *Q. Mr. Birla.*—You know that a large quantity of coarse cloth is imported from Japan and consumed by the masses of this country?

A. It is.

1622. *Q.* Am I to understand that you are in favour of not imposing any import duty on Japanese goods imported into this country?

A. No. I would not exempt Japanese goods from the tax. Their goods should be taxed as heavily as goods from other countries.

1623. *Q.* You do not want to depend on other countries for the prime necessaries of life also?

A. No, not in that way exactly, because I do not consider Japanese cloth as one of the prime necessaries of Indian life.

1624. *Q.* If you consider it a necessity, then you would like to exempt that?

A. If I know that my country is not able to produce and must depend upon other countries, then I will have to do, not otherwise.

1625. *Q.* Then, in that case, you would not impose any import duty on Japan?

A. If India has to depend on Japan, she will make certain facilities for the importation of that article.

1626. *Q.* Supposing we are at war with Japan, what will be the situation then?

A. In the first place I have not admitted that Japanese cloth is a necessity.

1627. *Q.* Therefore you are in favour of imposing a duty on Japanese goods?

A. Yes.

1628. *Mr. Jamnadas Dwarkadas.*—In answer to Questions 26, 27 and 28 you state "We do not consider the use of tariff for bargaining will be advantageous to India, because India is not a manufacturing country." Sir Edgar Holberton asked you a question whether you think that India was a manufacturing country. I think you meant that India is comparatively not yet a manufacturing country, though it can be one of the manufacturing countries?

A. It can be; at present it is practically not.

1629. *Q.* It is not your opinion that India is an agricultural country and cannot be a manufacturing country?

A. Surely it can be as good an agricultural and as good a manufacturing country too.

1630. *Q.* Let us take this point a little further. It was just put to you by Mr. Birla about India's dependence on Japan. The year in which Japan has exported the largest quantity of cloth was in 1918-19 and that was 238 million yards. The total production in India was 1,451 million yards. Again in 1919-20 the Japanese import fell to 76 millions, as soon as we could get English cloth. Therefore our dependence on Japan is nothing?

A. I have already said that we do not want to depend on Japan.

1631. *Q.* Then you do not include clothing as a necessary of life, because we can supply our own cloth so far as the poor are concerned?

A. Yes.

1632. *Sir Maneckjee Dadabhoy.*—I want to clear the point raised by Mr. Birla. We get large imports of cloth from Japan. Do you know they are all coarser cloth which the masses use and India produces the same quality of coarser cloth very largely?

A. Yes.

1633. *Q.* And therefore Japanese cloth comes in competition with Indian cloth?

A. Yes.

1634. *Q.* And therefore you advocate an import duty on Japanese cloth?

A. Yes.

1635. *Q.* You stated in answer to the President that we can manufacture everything in this country?

A. Yes.

1636 *Q.* Till we are able to manufacture everything, you would not put any protective duties on the imports?

A. That is what I stated in reply to Mr. Coyajee.

1637. *Q.* Sir Montagu Webb drew your attention to America's position. America produces a very large amount of raw material and yet it is not able to compete with Lancashire in the foreign markets. Are you not aware that America is not able to compete in the foreign markets, because it has not sufficient to meet her own local requirements?

A. Yes. The reason is that America produces hardly as much as it can use. America is not therefore in a position to export. Therefore I said it was more for America to answer than for me.

Witness No. 11.

KARACHI CHAMBER OF COMMERCE.

Written statement, dated the 11th November 1923.

1638. *Q.* 1. This Chamber favours a policy of strict free trade. It appreciates, however, the necessity of Customs duties, but considers these should be confined within the limits necessary for revenue purposes. If protection should be insisted upon this should include Imperial Preference.

1639. *Q.* 2. It is considered that for India a tariff provides a more suitable form of taxation than direct taxation. If fresh taxation were necessary an increase in customs is considered preferable.

1640. *Q.* 3. It is considered that silver, as a luxury commodity, should be taxed.

1641. *Q.* 4. So far as the present tariff falls highest on luxury imports and lowest on more necessary things, it is approved as being in the interests of the consuming masses.

1642. *Q.* 5. Assistance is given to Indian industries to the extent of the Customs duty levied where no excise duty is imposed, or to the extent of difference between the two where excise is levied.

1643. *Q.* 6. No.

1644. *Q.* 7. No reply is necessary in view of answer to question No. 6.

1645. *Q.* 8. No.

1646. *Q.* 9. No.

1647. *Q.* 10. The Chamber is unaware of any country in the world which is entirely independent of other countries in respect of requirements for manufactured goods. If India does not buy it is plain she cannot sell beyond the limit of her Home charges. What is to become of her monopoly and surplus products?

1648. *Q.* 11. On none.

1649. *Q.* 12. No reply is necessary in view of answer to question No 11.

1650. *Q.* 13. No.

1651. *Q.* 14. No, because this Chamber is against Protection in any form. If, however, Protection is decided upon, the answer to the first part is "Yes," to the second irrevocably "No," because economically unsound.

1652. *Q.* 15. No.

1653. *Q.* 16. If hand industries prove unable to compete, and to be threatened with extinction, it will be because they prove an economic failure. It is not considered that such industries should be propped up at public expense; they are economically unsound and therefore manifestly wasteful.

1654. *Q.* 17. Yes; there is a danger of such combination. It is considered that free trade would counteract its effect.

1655. *Q.* 18. Yes; if the protective tariff is high enough. The Chamber's attitude would be hostile, because India primarily is, and should remain, an agricultural country, or her people will starve.

1656. *Q.* 19. Yes; such conflicts would be likely to arise. No differentiation is considered advisable, as no satisfactory system could be devised to counteract it.

1657. *Q.* 20. Yes; the consumer bears the whole of the duty, excepting in those cases where competition to sell is so keen that the producer reduces his profit by bearing a portion of the duty himself.

1658. *Q.* 21. The rise would undoubtedly be maintained so long as the Protective duty has to be paid and consumers are willing to buy at the enhanced price.

1659. *Q.* 22. No.

1660. *Q.* 23. Yes. All articles that are used for shelter and clothing, and for the provision of food and water supply.

1661. *Q.* 24.(a) The employer would withhold an increase in wages to his employees for as long as he possibly could.

1662. *Q.* (b) The land-owner would do likewise.

(c) The middle classes, especially those with fixed incomes and salaries, are among the first to feel a rise in prices.

Rises in wages always come long after rises in prices, and are usually inadequate by comparison.

1663. *Q.* 25. It is considered that both imports and exports would be reduced by a policy of Protection. Prices of imported commodities cannot be increased without a consequent rise in prices of commodities for export. There might be a temporary maintenance of exports, but this would cause India to become a creditor country, and the only way to realise her foreign credits, shown by the high exchange value of the rupee, would be by accepting imports of goods and precious metals from her debtors. While her credits and her exchange were thus high, Protection would be to a considerable extent nullified, and her industries, especially those founded under her protective policy, would suffer severely. When the equilibrium was re-established and exchange fell again her industries would revive, so long as exports did not exceed imports by more than the amount of her Home charges. But a low exchange would, of course always help and stimulate export and tend to lead to a recurrence of high exchange with its attendant effects. If Protection thus promoted action and reaction in Exchange, the Chamber does not consider the position of the country, commercially or industrially, would be really improved. The Chamber desires to emphasise the need of India's maintaining its oldest and greatest industry, agriculture, and the advisability of taking no fiscal action tending to diminish the usual exportable food surplus, which is her only margin of safety.

1664. *Q.* 26. No; even for those articles of which India has a monopoly consumers would be driven to the use of substitutes.

1665. *Q.* 27. In view of reply to question No. 26, no reply is necessary.

1666. *Q.* 28. In view of reply to question No. 26, no reply is necessary.

1667. *Q.* 29. The Chamber is strongly against Protection in any form.

1668. *Q.* 30. The Chamber does not approve of export duties for either purpose.

1669. *Q.* 31. It is considered that the effect of export duties is entirely harmful. It is considered that in no cases can they be imposed without injury to the trade. If any exception were made, it might be in the case of jute to the extent of a very low duty.

1670. *Q.* 32. No. If attempted, producers of the raw material would probably reduce their outturn.

1671. *Q.* 33. The Chamber considers that there would be no advantage in imposing such a duty, as its effect would not be lasting. Such action, in the opinion of the Chamber, would discourage production.

1672. *Q.* 34. No.

1673. *Q.* 35. No; but if the principle of Protection is adopted, this Chamber certainly thinks it ought to include Imperial Preference. Protection, either with or without Imperial Prefernce, would distinctly involve economic loss.

1674. *Q.* 36. No; the Chamber would treat the Empire as a unit.

1675. *Q.* 37. Is is considered that a system of Imperial Preference would involve loss. Yes; it is feared that retaliation would be likely.

1676. *Q.* 38. No reply is necessary in view of the Chamber's views on Preference.

1677. *Q.* 39. No reply necessary.

1678. *Q.* 40. Yes; because favoured producers and/or traders would take advantage of the increased prices they could secure by the imposition of a higher tariff on competitor's supplies.

1679. *Q.* 41. Inasmuch as Imperial Preference can only become practical politics under a Protective tariff, the Chamber thinks that the change would have the effect of diminishing India's foreign trade, both import and export. The balance of trade might remain the same, but the volume of each would be reduced.

1680. *Q.* 42. India needs all markets of the world open to her wares. Any deliberate restriction of her markets would result in loss and confusion in almost all her trades.

1681. *Q.* 43-83. This Chamber, as a Chamber, does not consider itself in a position to answer questions under Sections C, D, E, and F, which apply to individuals. Karachi is not an industrial centre in the general meaning of the word.

Oral evidence of Mr. F. CLAYTON, Chairman of the Karachi Chamber of Commerce, Karachi, the 1st December 1921.

1682. *President.*—You are the Chairman of the Karachi Chamber of Commerce, Mr. Clayton?

A. Yes.

1683. *Q.* You appear before the Commission as representing the Chamber of Commerce.

A. And only that. May I before you proceed make an explanation? I am totally unfit to be here to-day. It is very unfortunate indeed and I much regret it. I am very far from well. I could not control it. I feel that I am unable to do thorough justice to the matter under discussion.

1684. *President.*—I hope the members of the Commission will bear in mind what Mr. Clayton has said, and in the examination be considerate and not prolong it. You realise, Mr. Clayton, that you represent a very important commercial Association. You have given us elaborate answers to the questionnaire itself, and it is but natural that the members of the Commission should like to know further the Chamber's views in regard to the various replies which have been given.

A. That I appreciate to its full extent, and if I had not appreciated it, I should probably have asked permission not to appear before the Commission. I will do my best so far as it is in my power to meet your wishes, and I am sure the Members of the Commission will bear this in mind in putting questions.

1685. *Q.* In answer to the first question, you say that you favour a policy of free trade, strict free trade. Will you kindly tell us your reasons for holding that view?

A. We consider that India requires all the markets of the would open to her and it is necessary for her well-being that her market should be open to all the world, and for that reason we desire a strict free trade policy in India.

1686. *Q.* Then your view is that India requires other markets for her trade and that other countries require the Indian market for their trade and therefore India should have free trade?

A. Yes, for the well-being of India.

1687. *Q.* How do you make that out? I can quite understand India being on a footing of equality with other countries in her trade policy. But how do you reconcile that it would be to the interests of India that India alone in the world should have a free trade policy while everyone with whom India trades should be free and take advantage of that freedom to control her trade and to lay down tariffs and Protection. Will you please explain how you think that it is to the interests of India to trade with people who are free and exercise that a freedom in protecting their own industries against India, while India is not to do anything of the kind?

A. You are assuming that all countries are protectionist, but I think that at any rate England herself has been comparatively free and that there are other places on a similar basis and most countries are free to some extent. But India is in peculiar position from our point of view. She is an agricultural country, and for that reason she must have the markets of the world open to her for her surplus products.

1688. *Q.* That is to say if her goal is to remain an agricultural country?

A. India is to-day an agricultural country. In the opinion of the Chamber, India should remain an agricultural country.

1689. *Q.* Do you think it is to the economic advantage of India that she should remain always an agricultural country?

A. I do not know of any point of view in which it is not better for India to remain an agricultural country.

1690. *Q.* Do you know that India has been an agricultural country and that the poverty of India is admitted on all hands and it is stated that the large bulk of the agricultural classes who have got to depend upon land do not get adequate food supply during the whole of the year?

A. I do not wish to travel into other fields, that are not covered by the Fiscal Commission, which has to be done in order to reply to this question. It is probably due to the lack of development of education among the agriculturists themselves. India has very wide fields available for the growing of articles. She has wide lands available for cultivation. With the development of irrigation, with the education of the people, and the intensive cultivation of the best lands, the way of progress lies distinctly and definitely along the way she has been treading previously, *viz.*, agriculture.

1691. *Q.* Don't you think that all that will cost money?

A. I do admit it, and I think it would be money well spent.

1692. *Q.* Where is India to get that money from in her present economic condition of poverty?

A. From whence the benefits will eventually go.

1693. *Q.* You have got to find capital to spend it on reproductive works, before the reproductive works give you a return?

A. The capital cost of irrigation at any rate can be limited generally speaking during the period of construction, because immediately construction is complete you begin to get advantage therefrom.

1694. *Q.* To introduce intensive educational methods for the whole of India will take a very long time?

A. It might take some time, but I am not prepared to admit it would take a very long time. If Government consider that this is their policy and develop agricultural districts, very considerable advance would be made in a comparatively short time.

1695. *Q.* America is also largely an agricultural country?

A. Yes.

1696. *Q.* They have preferred to go in for industrial development in the belief that it is good for the country?

A. Very large parts of America. The condition and climate of America is such as to justify America being both an industrial and also an agricultural country. To such an extent it does not apply to India.

1697. *Q.* Will you kindly tell me what those conditions are?

A. The climate might be taken as the first point.

1698. *Q.* Climate in relation to agriculture?

A. Climate in relation to industry, in relation to agriculture if you wish. If you will look at the industrial map of the world, I think you will find that every place where industry is highly developed and brings out satisfactory results to the owner, the capitalist as well as the employee, is in a cold country. If you take districts like Lancashire, Yorkshire, Staffordshire, centres like Sheffield, some parts of France, north of Italy and Germany, the industrial centres in those countries are located in the colder parts of the country. You can imagine, Sir Ibrahim, I am sure, that in some of the winter months, *i.e.*, the time of fog, dirt and snow, it is more convenient for the employees to get into the comfortable workshops than in the agricultural fields and have to work outside. Taking the worst months April, May, June, July, September to November, the mill hands in Bombay have to work in an atmosphere which is more intensive than the heat outside under conditions which are not meant for industrial development. The natural thing for an Indian in an Indian climate is to get as much free air and live in the open air as far as he possibly can. I do not think you can compare the standard of men living on the land to-day with the standard of men working in the Bombay

mills (I know both of them fairly closely). There is no doubt that the agriculturist will be by far the better man.

1699. *Q.* Physically, you mean?

A. Physically.

1700. *Q.* Have you got any definite information on the subject to enlighten the Commission as to the difference between the physical condition of labour in the western countries as against the agricultural classes there and the relative difference in India?

A. I can refer to nothing at the present time.

1701. *Q.* The question I have asked arises out of your own answer?

A. As a business man, I have not been uninterested in this subject. The answer is based on accumulated information. If you want precise information, I shall be glad to furnish it.

1702 Q. If it is so much to the greater advantage of labour in western countries to be employed in factories during the cold season, there ought to be a very great supply of labour and the cost of labour would be very little?

A. In England, take a case in point. You generally have a full supply of factory labour, and your trouble in England has been that lots of land are out of cultivation, because of the difficulty of getting agricultural labour.

1703. *Q.* It pays them financially better to be in factories?

A. It does.

1704. *Q.* The general economic prosperity of the country rises in consequence?

A. In dealing with this question one is inclined to get wide of the fiscal question. You say it pays them better. It does pay them better, but if you look at the life and conditions generally of the people, I mean the complete life in its widest sense, it is necessary to ask another question and I am not prepared to answer it.

1705. *Q.* Do you think that the factory labourer does not lead a more comfortable life by means of the higher wages he gets than the agriculturist?

A. By saying I was not prepared to answer it, I merely put the reply in the form of a question.

1706. *Q.* My information is that with the exception of England every other civilised country works on the principles of Protection. But leaving that out, can you explain why, when fiscal freedom was conceded to Australia, Canada, South Africa and New Zealand, the four important dominions of the British Empire which are on a self-governing basis, they immediately adopted a policy of Protection in spite of the fact that Great Britain has been a free trader?

A. No, I am not prepared to answer it.

1707. *Q.* If it is a fact that British Dominions and almost all the civilised countries of the world have adopted a policy of Protection in order to reach industrial development and promote economic prosperity, do you think that we should be wrong in adopting Protection?

A. I am not prepared to admit all that. They have developed and promoted economic prosperity. But I think that if you go into the question of the financial status of Germany and Austria and other countries of Central Europe prior to the war you will find that they were far from financially sound.

1708. *Q.* And still they were able to carry on a big war?

A. Probably even if they had been financially sound the war would have come about.

1709. *Q.* How do you account for the fact that the national income of Great Britain has been steadily increasing and reached before the war the figure of £65 as against India's figure of Rs. 3 per head of the population?

A. Free trade.

1710. *Q.* Is it free trade? Australia and Canada have a national income of Rs. 500 and Rs. 550 per unit. How do you account for that? Industrial development has been the cause of this. Is it not?

A. It may be free trade in England. England is a free trader and has economically prospered.

1711. *Q.* England has to depend for her raw materials and food supplies on other countries. Is it not so?

A. Yes.

1712. *Q.* Therefore she is open to retaliation by those people with whom she deals if she adopted a policy which would bring about retaliation.

A. The very fact that imports have been allowed to come in from other countries without any protection whatsoever shows that it is the right and absolutely sound policy.

1713. *Q.* Was it not recently that they passed a special Act to protect certain industries against the importation of the articles manufactured by those industries?

A. Yes. That of course was passed, but on different lines and on a different basis to that on which fiscal policies are adopted. They are based on what are understood to be key industries, with a view to the possibility of competition from other countries. It is a variation of the free trade policy in the strict reading of the terms.

1714. *Q.* Variation to such an extent as it suited her to introduce?

A. For a special specific reason and not as a departure from free trade.

1715. *Q.* But it is a departure from free trade to this extent?

A. To a very small extent, but it is for a specific purpose.

1716. *Q.* And therefore England has departed from a policy of free trade to that extent?

A. That naturally follows. She does it for the future protection of the world's peace and not as a breach of the principle of free trade.

1717. *Q.* Do you think it is desirable, economically and otherwise, for every country to try and obtain its supplies from its own soil and factories and not be dependent upon other countries for its necessities?

A. Certainly. The greater the extent to which a country is self-contained the better.

1718 *Q.* Would you think that India's policy of trying to be self-contained as far as possible would be a sound policy?

A. I think India's is a special case. Taking the country, the land and its possibilities and particularly climate, India had best be left alone to develop intensive agriculture, which will bring immense prosperity in a far greater measure than has been known in this country.

1719. *Q.* It amounts really to this: that India should produce raw materials by intensive agriculture, and I know that intensive agriculture will increase her prosperity to a certain extent. The difference between that policy and the policy of industrial development is this that while in the one case the raw materials would be manufactured in India by Indian labour and capital and supplied to India as a whole, in the other case you would find India's intensive agriculture only producing raw materials to be sent out to foreign countries for being manufactured there and exported to India.

A. I have not said I would confine India entirely to agricultural pursuits. There will be a small surplus population for industrial purposes. This surplus population must for the well-being of the country be employed in industries. But only to that extent I would develop industries.

1720. *Q.* But if even for the development of industries to that extent it was necessary to introduce Protection till the industries became fully developed you would not allow it?

A. I do not think it is necessary.

1721. *Q.* Assume that it was necessary?

A. I cannot assume it. It is so far from the range of possibility that I cannot assume it.

1722. *Q.* That is to say, you will not wish to give the reply which is obvious if you assume it?

A. No. It does not come within my range of thought that such a thing can be possible.

1723. *Q.* The development of industries is dependent upon four principal things: raw materials, markets, capital and labour, skilled and unskilled. If India produces raw materials and if she had the markets here would you still not help by Protection the manufacture of her own raw materials for her own use?

A. I would not.

1724. *Q.* Do you think that that is a very sound policy?

A. I do.

1725. *Q.* A policy which no other country except England has adopted, not even the British Dominions?

A. Yes.

1726 *Q.* You say in answer to Question No. 1 that if protection should be insisted upon this should include Imperial Preference. You favour Imperial Preference?

A. We do not favour Imperial Preference at all. We are absolutely dead against it. We are in favour of strict free trade. But we put this in merely as a safeguard.

1727 *Q.* Safeguard against what?

A. To use a simile, a person is committed for trial. The pleader who is pleading that his client is not guilty feels that the court might sentence him. So he says "If

you find him guilty, only fine him, but do not send him to prison."

1728 *Q.* I am afraid I do not follow your analogy. The analogy does not apply?

A. I cannot make it clearer.

1729 *Q.* I say the analogy does not apply for this reason that free trade is advocated in most cases on the ground that Protection would penalise the consumer?

A. Quite.

1730 *Q.* Do you subscribe to that?

A. Yes.

1731 *Q.* If Protection was penalising the consumer he would lose up to the maximum of the amount of the protective duty imposed. Supposing that an import duty of 10 per cent. was imposed for protective purposes I assume that the whole of that 10 per cent. will be paid by the consumer.

A. Practically all that.

1732 *Q.* We will assume it for argument's sake. We cannot work it out exactly. Suppose we raise the import duty on a particular article by 15 per cent. then the consumer would pay the 15 per cent. Is that not it?

A. Yes.

1733 *Q.* Suppose instead of the duty being 10 per cent. we raised it to 15 per cent. and gave a preference to the Empire to the extent of 5 per cent; that is to say, put an import duty of 10 per cent. on imported goods produced in the Empire and 15 per cent. on goods imported from foreign countries. What would be the effect upon the consumer of that policy?

A. If you obtain the bulk of the imports from Empire countries the duty would lie somewhere near 10 per cent. If the bulk of imports were obtained from other countries, it would to that extent fall upon the consumer.

1734 *Q.* The Empire manufacturers' price would be regulated by the competition which the Empire producers will have with the foreign producers. And Imperial Preference gives them the benefit of the difference between the Empire rate and the foreign rate. Is it not so?

A. No, because within the Empire itself there are small sections each competing with the other, and this would bring down the price.

1735 *Q.* This Commission has been told that human nature being what it is the local manufacturer would regulate his prices to very little below the amount of the import duty that is imposed, and that the consumer would have to pay practically to the full extent of the import duty?

A. That is correct.

1736 *Q.* If that is so, then the Empire manufacturers would also regulate their prices to be just within the higher import duty levied on the foreign manufactures?

A. The two cases are not equal at all.

1737 *Q.* Will you please explain why?

A. You have got three sections, I take it. The first is Britain, the second is the foreigner and the third is India. In the case of the Britishers, they are sub-divided into sections which compete among themselves. This tends to bring down prices. When the goods they supply arrive in India they have to compete with the articles made in this country. The price at which they arrive in this country is known. The Indian manufacturer who gets his supplies on the market merely puts the price slightly below what the British supplies are available at, and he is able to do that. So far as the foreigner is concerned, if you are going to put him on a penalty of 5 per cent. he has got to bear the 5 per cent. impost out of his profit or he loses the trade. If India is forced to have his goods she pays that 5 per cent. herself.

1738 *Q.* She pays that 5 per cent. herself?

A. Yes, if she wants the goods.

1739 *Q.* Then you think that the Empire manufacturers will not regulate their prices according to the competition from other foreign countries?

A. No.

1740 *Q.* What direct benefit would the Empire manufacturers derive from preferential tariffs?

A. The only benefit is that Britain has a chance of keeping the trade within her own Empire, which again benefits India by bringing together much closer relations between the various parts of the Empire.

1741 *Q.* I am not talking of the political aspect at present. If 5 per cent. preference is given on the basis of 10 and 15 per cent., then it is to the advantage of Britain in its competition with foreign countries. Is that not it?

A. It is to the advantage of Britain in the Indian market.

1742 *Q.* Now who bears the burden of the benefit which England scores. India does not bear the loss on account of it?

A. There is no loss resulting.

1743 *Q.* Then there can be no benefit?

A. Certainly there can be benefit without loss. The two are opposed to each other.

1744 *Q.* So far as India is concerned it has got two sellers. India wants to buy manufactured goods. It tells the one "for the goods that we import from you we will charge 10 per cent. import duty." To the other it says "we shall charge you 15 per cent." Now the seller with only the 10 per cent. duty gets the benefit, because the other competitor is penalised to the extent of 5 per cent. by the duty. Is that not it?

A. He gets the benefit as compared with the competition of the outsider.

1745 *Q.* Then you think that the market prices in India for the particular articles subject to 10 and 15 per cent. will not be regulated by the 15 per cent. standard but by the 10 per cent. standard?

A. I have already explained to you that the supplying centres of most of the articles that India imports are so split up into competitive ranks that that alone is an adequate safeguard against the point that you are making.

1746 *Q.* The difference between the Empire tariff and the foreign tariff would be a benefit to the Empire but a loss to the Indian consumer?

A. I am not prepared to admit it. I am distinctly opposed to it.

1747 *Q.* In answer to Question No. 35 your Chamber say "Protection, either with or without Imperial Preference, would distinctly involve economic loss"?

A. Yes. That is correct. We are against Protection. Protection of any sort will involve economic loss. The basis of the reply is on the word "protection" not on the words "Imperial Preference."

1748 *Q.* Protection, both with and without Imperial Preference would distinctly involve loss?

A. Yes.

1749 *Q.* With regard to Question No. 15 your answer is in the negative?

A. That is my Chamber's view.

1750 *Q.* But if foreign manufactures unduly favoured by such measures capture the Indian market and unfairly compete with the local manufactures, would you still give no protection to local industries?

A. I would not do so.

1751 *Q.* You would allow all countries in the world to exploit the Indian market to their benefit as they understand it and adopt such measures as they think best in order to secure that advantage?

A. No, Sir. It is not a question in this case of exploiting the Indian market. If they are prepared to give India a free gift, India, in the opinion of my Chamber, should accept that free gift. That is a free gift to the extent the things are got cheap by their bounties. That cannot go on because it is economically unsound.

1752 *Q.* You think that the countries who resort to this expedient are foolish enough to make subsidy payments to India in this form without expecting any ulterior benefit to themselves of a more substantial character?

A. I have not said so.

1753 *Q.* But does it not come to that? They will undoubtedly be competing with the local manufactures or with imports from other countries. There may be various reasons why they adopt such measures.

A. The thing is itself economically unsound from their point of view and from our point of view, and if they are prepared to make us continuous presents let us accept them. There are plenty of other channels left where development can take place in this country.

1754 *Q.* Therefore, you think these measures would not affect the successful establishment and working of local industries?

A. You might go back to our reply that India should be an agricultural country.

1755 *Q.* Therefore, you are entirely opposed to India ever becoming an industrial country? Therefore you do not want any safeguards.

A. I have not said so.

1756 *Q.* But that can be the only explanation.

A. You have used a phrase which is too strong and too far-reaching to anything that we suggest.

1757 *Q.* Your whole idea is that India should remain an agricultural country. I quite understand in that case all these measures which are contemplated in Question No. 15 though injurious to Indian industries should not be guarded against, as they will benefit India.

A. Your wording is now different from what it was.

1758 *Q.* You say that you do not want industries in India, and therefore this kind of competition would benefit India?

A. I have not said that I do not want any industries in India. I have previously said that there would be a surplus population which must be provided for and industries are the only outlet for them.

1759 *Q.* Then you do want some industries?

A. I have already said that.

1760 *Q.* How would you develop those industries for which protection is considered necessary against unfair measures adopted by the foreign countries?

A. I would not protect them. If the industries developed in the natural way, well and good. But they must not be spoon-fed by Protection.

1761 *Q.* You won't give any artificial help?

A. I won't.

1762 *Q.* You think Protection is artificial?

A. Undoubtedly.

1763 *Q.* In carrying out intensive agriculture, if scientific methods are necessary, if manures and irrigation works become necessary, would you regard it as artificial if Government supplied manures and constructed irrigation works?

A. Not artificial in the sense I used the word previously. The agriculturists will pay for the manures; the irrigation works will supply water which will be sold to the agriculturists, and gradually it will pay for the cost of construction and maintenance. There is no artificial concern there.

1764 *Q.* I should like to ask you a few questions about your answer to Question No. 25. You say "There might be a temporary maintenance of exports, but this would cause India to become a creditor country, and the only way to realise her foreign credits, shown by the high exchange value of the rupee, would be by accepting imports of goods and precious metals from her debtors." You do not object to India becoming a creditor country at any time?

A. Certainly not.

1765 *Q.* Do you not think that it is a disadvantage that India should be a creditor country?

A. It is an advantage to India to be a creditor country.

1766 *Q.* But you think that the only thing that India can take against her surplus exports is imports of goods and precious metals. You do not think that India can obtain securities?

A. Certainly she can.

1767 *Q.* Would that in any way ..... ?

A. The interests of those securities,—how are they going to come into India?

1768 *Q.* They may be invested. It is to my mind hardly correct to say that India will become at any time independent of foreign goods. We have got huge schemes for public works of a reproductive character which require to be financed and constructed, and our demand for foreign goods which we will not be able to manufacture will always remain, but, if it did not, I do not see why India, as England has done in the past when she was a creditor country, should not have extensive foreign investments?

A. Yes.

1769 *Sir Montagu Webb.*—Payment for services too.

1770 *President.*—Therefore, your reply is not comprehensive. You then say "while her credits and her exchange were thus high Protection would be to a considerable extent nullified, and her industries, especially those founded under her protective policy, would suffer severely." That is all argued on the basis that India being a creditor country and not being able to cover her excess exports by anything other than imports of goods and precious metals. Then you say: "When the equilibrium was re-established and exchange fell again her industries would revive, so long as exports did not exceed imports by more than the amount of her Home charges. But a low exchange would, of course, always help and stimulate export and tend to lead to a recurrence of high exchange with its attendant evils." You think that a low exchange would help the exports and would handicap imports. It would certainly help agriculture. Most probably it will retard imports. Was your Chamber in favour of the fixity of exchange which the Government of India introduced?

A. My Chamber were not. The Fiscal Commission is not dealing with the fixing of exchange, but it will probably interest you to know that my Chamber are opposed to any committee or any commission of any sort sitting on the exchange question at the present time until the matters of the world settle themselves down. I cannot answer any question on this matter.

1771. *Q.* The question arises from your own reply, and I am inclined to think that you have got to support the reply that the Chamber has given. You say that a low exchange would always help and stimulate industries. You will therefore see the direct connection between the question I have asked and the tariff enquiry. The whole basis of the tariff question is Protection. If Protection is detrimental to the consumer, a fixed exchange, if resorted to would have the effects which you indicate in reply, and I am asking you whether it was not a form of Protection—direct protection—to the import trade in manufactured goods to fix exchange at a higher level than the natural or normal. That is a question directly concerning Protection?

A. I have not come here, Sir, to express any specific view at the point at which exchange should be fixed either for the advantage of exports or imports. My Chamber did not think that it came within the purview of a Fiscal Commission, and I have no instructions on that point, nor am I prepared to give it. I have deliberately stated here that low exchange will help exports and high exchange will help imports.

1772. *Sir Montagu Webb.*—*Q.* Temporarily, I suppose.

Mr. Clayton.—*A.* Yes.

1773. *President.*—*Q.* So long as exchange is fixed high or low it is admitted that it would interfere with the natural course of trade. Protection need not be in the way of customs duties. If you are not prepared to answer me, I cannot help it. I take it that protection can be given by regulating exchange. (No answer.)

1774. *Q.* In answer to Question No. 17 you say "Yes; there is a danger of such combination. It is considered that free trade would counteract its effect." Your Chamber think that there will not be sufficiently keen competition in India to protect the consumers against a combination such as is contemplated in that question?

A. You have correctly interpreted their views.

1775. *Q.* Your Chamber think that internal competition will not adequately safeguard the consumers against such combination?

A. Yes.

1776. *Sir Edgar Holberton.*—In view of what you said at the beginning, and in view of the extraordinarily interesting and somewhat exhaustive examination by the President, I propose to cut my questions down very considerably, but there are just a few questions I should like to ask. First of all in the course of the very interesting discussion you had with Sir Ibrahim on the question of Imperial Preference, there was one point which was not sufficiently cleared up to my purpose. The question arose as to who would actually pay the 5 per cent. difference which was discussed. The position which was put forward was that there was an all round import duty of 15 per cent. with a preference clause of 5 per cent. for the Empire. As far as I interpreted your view you were trying to make the point that the advantage to the Empire would be that they would have a 5 per cent. margin in quoting against foreign firms, *i.e.*, they would only have to quote 10 per cent. above the usual price and the others will have to quote 15 per cent. above their price. That seemed to me the point that you impressed. If the order was placed in the Empire the actual cost of the goods would be 5 per cent. less in India than if it were placed elsewhere. There would therefore be no question under Imperial Preference of firms in the British Empire raising their prices in order to get the advantage of the 5 per cent. Competition within the industrialists themselves in England is so keen that that difference could not be monopolised by the exporters. There would in fact be a real saving of 5 per cent. to the Indian consumers?

A. Yes.

1777. *Q.* With reference to your answer to Question No. 2, you have fallen into line with all other witnesses and given a vote against direct taxation. Now, being a convinced anti-protectionist, are you consistent in definitely ruling out direct taxation?

A. In India? Yes. I am only representing the Chamber. My Chamber is distinctly of opinion that direct taxation is not possible at the present time in India.

1778. *Q.* It is very probable—indeed reading into this reply I presume—that in other countries they would be of a different opinion.

A. But surely we are only dealing with India.

1779. *Q.* It has occurred to many of us that there is a good deal of margin left for improvement in the collection of income-tax. Among people who are such confirmed anti-protectionists, there would be some who would be..... ?

A. If you can collect your income-tax from every man fairly and squarely, I think that my Chamber will be in favour of it. I think it was quoted about two years ago that there was approximately only 1,50,000 income-tax payers in the whole of India. What does that mean ? It means that your big companies and your European firms—people who had their books—paid up to the last pie, but there were thousands and thousands of persons in this country who were liable to income-tax, but who up to that point had been paying practically nothing. My figure may not be correct. My Chamber raised the question with the Government at the time of the Finance Member's speech. At that time the number was very small. All your firms and other Government servants, Indian and European, whose salaries are cut at the base, were included in the 1,50,000.

1780. *Q.* You would naturally expect the percentage of payers of income-tax in a place like India to be small, because the large majority of the people are very poor and therefore do not come within the purview of the Income Tax Act. Also they are agriculturists and they pay land revenue.

A. They paid land revenue in England, but they pay also on their outside investments. The zemindars and upcountry men combine their agricultural pursuits with money-lending on which they get a very good income and they pay no income-tax.

1781. *Q.* But the large majority of the people are on the other hand poor ?

A. Yes, that is so. But there are zemindars and a very large class of people who ought to pay income-tax but do not pay.

1782. *Q.* But don't you think that instead of endangering the country, as you consider, by a definite measure of Protection, some system should be devised by which the collection of income-tax would be put on a sounder basis ? It does not seem to be right to turn this idea down as an impossibility.

A. The Chamber has based their ideas on the information before them. But I am prepared to say that if you can improve the conditions under which income-tax is secured, if you can evolve a system under which each man will pay fairly and squarely according to his capacity, the rich man paying according to his and the poor man paying according to his, then they will support it.

1783. *Q.* If it is decided that direct taxation is advisable, it will be necessary to go to the root of the matter and devise a better system of collection. Do you think so ?

A. Yes.

1784. *Q.* In your answer to Question No. 26 you say that even for those articles of which India has a monopoly consumers would be driven to the use of substitutes. There are few such commodities, is it not so ?

A. Yes. Monopoly, very few.

1785. *Q.* Could you give me any ?

A. Jute. There are smaller ones of course.

1786. *Q.* So, your Chamber appreciates that even in the case of a monopoly like jute substitutes will be found ?

A. Absolutely.

1787. *Q.* Do you consider that the danger will be a real one ? Have you any facts at your disposal with reference to this particular industry to bear out your point ?

A. It is well-known that substitutes were available for things during the war when various countries could not get them.

1788. *Q.* In your answer to Question No. 31 you say "It is considered that the effect of export duties is entirely harmful" ? There is an export duty as you know on rice. Several witnesses we have had before us in Karachi have taken a somewhat small view of the rice market and judged it only from the Karachi market. Are you acquainted with India's and Burma's rice trade ?

A. Only very generally.

1789. *Q.* Please see your reply to Question No. 33. The question is : "Would you consider it advisable to impose an export duty on foodstuffs, with a view to controlling their export." Now, we have had a good deal of acquaintance with control during the war, and there is a strong body of opinion which holds that control is an evil that came with the war. Is that view held by your Chamber ?

A. I think so.

1790. *Q.* Control, from your Chamber's point of view would be a definite handicap ?

A. My Chamber has always urged on Government the withdrawal of all control.

1791. *Q.* In fact, you would probably be prepared to go so far as to say that any Government interference with trade would be apt to defeat its own ends ?

A. Yes.

1792. *Q.* I speak with some diffidence on this point, because I do not know much about the wheat trade. Do you think that the people of India have benefited by the various methods of wheat control which the Government have brought in ?

A. My difficulty with regard to this point is, that the question should be asked in connection with a period when we have not such abnormal conditions.

1793. *Q.* Has it been your experience that control has reduced the price to the consumer ?

A. No.

1794. *Q.* Very definitely the reverse ?

A. Yes.

1795. *Mr. Narottam Morarjee.*—In reply to Question No. 1 you state that your Chamber favours a policy of strict free trade. Now, do you think there is any justification for levying the 3½ per cent. excise duty on cotton ?

A. We deal with that in another question. We are not in favour of levying it.

1796. *Q.* Your reply to Question No. 17. You say that there is a danger of protection leading to combinations in India, and you consider freetrade would counteract its effects. Now, England is a free trade country, but do you know that there are combines in England and that England has not tried to prevent those combines by legislation ?

A. The combines in England have generally been engineered for the purpose of reducing the cost of the raw materials which they want. England being a free trade country all the world can come and compete if they want to combine in England for the purpose of raising prices.

1797. *Q.* You want India to remain an agricultural country. However, the foreigners may bring their own capital and labour—would you favour that ?

A. It is certainly impossible to bring labour.

1798. *Q.* If the foreigners were to start factories with Indian labour ?

A. No. I would not object.

1799. *Q.* You do not like Indians to manage the industries in their own country ?

A. To the extent of their surplus population, yes.

1800. *Q.* But in the case of foreigners ?

A. Exactly to the same extent, because if India developed as an agricultural country, the people would be content and get so much out of the land and they would not pay tremendously high prices as they would if they go to industrial centres.

1801. *Q.* You know that the Tata Iron and Steel Works supplied the Government with various materials during the war. If there were no such factories, in case of a future world war would not India be at the mercy of the invaders ?

A. Of course, the Fiscal Commission is not dealing with the off chance of doing a little bit in helping the Empire out during war time.

1802. *Q.* You know the present position of Japan. Industrially she is strong ?

A. She is the very opposite of strong.

1803. *Q.* You do not want India to compete with Japan industrially ?

A. I do not want the fiscal policy to be for a deliberate industrial development in India.

1804. *Sir Montagu Webb.*—I only want to ask you questions on two subjects. There has been a great deal of discussion or the advantages of Imperial Preference to trade and you have said on more than one occasion that competition in England will prevent the manufacturers taking advantage of the higher rate of duty payable by foreigners. Your reason is that England being a free trade country there cannot be a combination. You refer to the Indian mill-owner putting his prices up to the level of the imported article. He can do that because there is an import tariff here. You do not, therefore, think that combination would be possible in the same degree in England, because there is no tariff there. Is that your idea ?

A. Yes.

1805 *Q.* The other point about which I want to ask a question relates to the Chamber's answer to Question

No. 1. Hitherto this Commission has been told by those who are in favour of free trade that the reason is that Protection stimulates industries at the expense of the agriculturists and the rest of the people. It takes money out of one group of people and pays it to another. That is the reason which the witnesses we have heard so far have urged against Protection, *viz.*, that it stimulates artificially industries at the expense of the consumer. That is the general argument?

A. That is so.

1806. *Q.* You have come before us this morning with an entirely new theory. You say that India should be developed in agriculture, because climatically it is not suitable for industries and that industries are better developed in cold climates?

A. I use it as a subsidiary argument. I am sorry if there is any misunderstanding on this point. It is the desire of my Chamber to see India develop in agriculture because it is the best for India. They are prepared to agree that there should be some industries, but that is not an argument to shut down what at present exists. But my Chamber does not want further industries to be developed by putting on a protection wall, which is going to be paid by the agriculturist merely to build these people upon an unsound basis. I think we made that plain in reply to another question.

1807. *Q.* I asked this question because I gather from your answer that the Karachi Chamber hold the view that only people in temperate climates ought to be manufacturers and that people in the tropics should devote themselves to agriculture?

A. That is my subsidiary answer. I have also given my principal reason.

1808. *Q.* And that is the generally accepted line of argument that Protection develops industries at the expense of the general body of consumers?

A. Yes.

1809. *Q.* Reference was made by the President to the fact that the income per head of the population is very much larger in England than it is in India. Do you know that the income per head of the population is very much larger in Australia than in England?

A. Yes.

1810. *Q.* And that Australia is a strictly Protectionist country?

A. Yes.

1811. *Q.* Do you attribute their very large income per head of the population in any way to their protective policy? I am referring to the gross income per head of the population, which is very much larger in Australia than in other parts of the world. I only ask if their very large income is in any way connected with the policy of Protection?

A. It is necessary that they should get more to enable them to pay tremendously high prices ruling owing to protective duties placed on them.

1812. *Q.* Do you mean to say that they must earn a lot of money in order to pay a lot of money?

A. Yes.

1813. *Q.* Do you consider that in the case of Australia the development of the country has been expedited or has been hindered by a policy of Protection?

A. I consider it has been hindered. Australia, an agricultural country, or as an industrial country to the extent that it is, would have been developed much quicker from the point of view of population if she had been a free trading country all along.

1814. *Q.* You think that Australia would have progressed much faster under free trade than she would under Protection?

A. Yes.

1815. *Q.* In your answer to Question No. 18, you say that India must remain an agricultural country or her people will starve. Will you explain why they would starve?

A. She must rest on her own products for her own food supplies, and as famines do come periodically, she must have a margin of safety, and for that reason for her huge teeming population, she must safeguard the agricultural development.

1816. *Q.* Don't you think that the agricultural yield might be very greatly increased by means of scientific methods?

A. Certainly.

1817. *Q.* Then you think that India should be mainly an agricultural country for fear of starving, although there is great scope for improving her agriculture. I do not quite clearly understand why India should starve if she develops her industries. You have no objection to India developing her industries naturally?

A. I have already stated that definitely. There will be surplus population. Work must be found for them, and it seems to me that industries are the natural outlets for them.

1818. *Q.* You agree that agricultural output should be greatly increased by scientific means?

A. In my first reply to Sir Ibrahim I really brought that forward as a point that I urge.

1819. *Q.* Then the policy which you advocate on behalf of the Chamber is a policy which the Chamber after careful deliberation considers to be the best in the interests of India?

A. Yes.

1820. *Q.* And not of any other part of the Empire?

A. No.

1821. *Mr. Coyajee.* Would you desire to see industrial development in India under conditions of free trade?

A. To the extent that your surplus population must have work found for it.

1822. *Q.* Do you think that after these 50 years of free trade, the development of industries in India has been fairly satisfactory?

A. I do not think it has been unsatisfactory.

1823. *Q.* It is merely satisfactory. But now I venture to suggest that the progress that has been made under free trade is not so much due to the fiscal policy as to certain favourable circumstances which were peculiar to the times. For example suppose a policy of free trade had been declared in India, there had been no English enterprise, capital and organization to efficiently forward her industries, do you think by this time we would have under free trade gone far ahead or even as much as we have done?

A. When I came to India 25 years ago I know there were very large mills owned and controlled some partially and some entirely by Indians.

1824. *Q.* Would you not agree that almost all these industries were all initiated and carried on to a considerable extent by European enterprise?

A. They were assisted in their initiation to a considerable extent by Britishers. I do not want that it should be understood as in any way derogatory to the Indians.

1825. *Q.* At least a part of the development was due to foreign enterprise, particularly in the matter of initiation?

A. Yes.

1826. *Q.* Then again, supposing when we began our cotton industry about 1850 or 1860, if there had been free trade, we should not have had the slightest chance if there had been Japan ready to pour in cheap cotton?

A. I do not know that your position with regard to Japan would have been very materially different from your position in regard to Lancashire. Lancashire could pour cotton goods in.

1827. *Q.* In those days Englishmen liked to have big morsels while the Japanese were content with a smaller price?

A. I do not think in the past, over a period of years at any rate, Englishmen wanted to get as much as the merchants in India.

1828. *Q.* All these have been abnormal times. Nothing has been missed and I give you credit for it, but international competition in those days when we started industrial revolution in India was nothing like what it is now. Our industries would hardly have seen the light of day under free trade conditions. That is what I want to make sure about?

A. It is difficult to speak of conditions so many years back and ask me to give replies on behalf of the Chamber. It is practically a matter of history. But I know the cotton mill industry in India has gone through very very difficult times. The only investment I made in the cotton mill shares in those days when I was in India for 18 months was in the Adamjee Peerbhoy mills. (President.—The Oriental Mills) and I lost all.

1829. *Q.* When I spoke of those circumstances, the circumstances were such that there was less of international competition in those days?

A. I should think that prices were cheaper in 1905 than they are to-day. But I must point out that I am speaking more as a pleasant conversation than on behalf of my Chamber. I want it to be thoroughly understood that I want to place on record that I am getting beyond the limits allowed to me by the Chamber.

1830. *Q.* I will come at once to modern history. If our industries have shown a success under the free trade policy, much of the success is due not so much to free trade as to the more secure condition of those times from foreign competition and secondly to the fact that a good deal of the work was done by foreign enterprise, organiza-

tion and capital, which we cannot always expect to help us when we are starting new industries.

A. You are assuming two facts : one is the question of competition and the other is the question of capital and brains. I think you will understand in the first place that we are distinctly in favour of agricultural development, but wherever you wish capital and brains, if you are prepared to pay for it, you will get it. So far as competition is concerned, I cannot argue with you.

1831. *Q.* But it was certainly less in those days. They were easier times than now ?

A. That opens up many side issues. If there is greater competition, there is also greater development in machinery, science, etc., to overcome. It is a very wide question to enter upon and I do not know that it is quite within the scope of the Commission.

1832. *Q.* We are discussing the infant industry argument. What I mean is this, that the strength of what is called the infant industry argument is increasing ; as time goes on more nations enter the field and more and more capital is required, because competition is growing larger and larger in its scope. Therefore these are illustrations to show that the infant industry argument, whatever its force was when it was started, has been materially strengthened by greater competition. Given more countenance to competition, when a new industry is started, there is certainly a considerable claim to some sort of initial protection ?

A. Not practically. If an industry is going to be started based on protection, it is economically unsound, and you can never tell how long you would have to protect. If an industry is likely to be economically sound, you will always find capital.

1833. *Q.* Is it a reason that foreign combines are waiting to cut prices. Even in one country, there are big combines cutting prices against new competitors and strangling them. Consequently there is cutting of prices when new competitors arise. Is it not usual rather than exceptional ?

A. Capitalists would not leave an industry, if they saw reasonable chances of success of the industry.

1834. *Q.* Will the adoption of Protection in India be likely to lead to the establishment of more English firms here in order to take advantage of protection ?

A. It does not effect the question that comes within the purview of this questionnaire. I cannot go into such lengths to state whether English, American or German firms will establish themselves here. I am asked whether Protection is good or bad for this country and I tell you definitely that in the opinion of the Chamber it is bad.

1835. *Q.* Suppose such firms come in, will there not be more co-operation between British organization and capital and Indian organization and capital in the case of these firms ? Will it not be to the good of both countries if English firms bring in more organizing power and capital and between themselves work for the good of India ? Will it not be a true form of co-operation between the two races for the industrial development of India ?

A. I cannot follow that this comes quite within the limits of the question before the Commission. I shall put my reply entirely in the form of a question. Are you going to reduce the base of your fiscal decision to a desire of friendly co-operation between Indians and the British by taking such steps as will enable the British to come and plant their industries in India, so as to have some more friendly co-operation with them ? The Chamber cannot reduce the question to such a narrow issue. It does not matter whether Britishers come to this country or not.

1836. *Q.* With regard to Question No. 18, you say that your attitude will be hostile, because India primarily is, and should remain an agricultural country or her people will starve. I venture to suggest to you that this is not an argument against protection as such, but against Protection accompanied by scientific agriculture. If Protection has a larger programme of development of agriculture, then would you urge this argument ?

A. Scientific agriculture is not mentioned in Question No. 18.

1837. *Q.* It was omitted by oversight.

A. I am very sorry for it.

1838. *Mr. Sheshagiri Ayyar*—Q. You said that the surplus population of India should be diverted to industries. You have no objection to that ?

A. I did not say that the surplus population should be diverted, but I said they would have to be employed in industries.

1839. *Q.* You have no objection to their being employed in industries ?

A. Certainly not.

1840. *Q.* You know that the number of people employed in industries at present is not more than 2½ millions. The industrial Census of 1911 shows that, including coffee and tea plantations about 2,10,000 people were employed in industries. I know that there has been some increase since, and I should say that roughly about 2½ millions are employed at present in industries, and there are about 264 millions. Supposing the mills come to a thousand, even then the number of people who would be employed by these industries would not exceed 10 millions of people ?

A. Yes.

1841. *Q.* Now, the population of this country is over 300 millions and 80 per cent. of the population is engaged in agricultural labour. By taking away 10 millions from the persons who are pursuing agricultural pursuits, do you think that that would in any way effect the development of agriculture ?

A. Am I to understand that you propose to place a limit upon the industrial development of India ?

1842. *Q.* When the next census comes in there will be more population and that can be adjusted later on. I am speaking of the next 10 years. Supposing in the next 10 years, you start 1,000 mills this would absorb not more than 10 millions of the people of this country. As I told you the agricultural population of this country is about 240 millions. Do you think that this depletion of 10 millions from 240 millions would in any way affect agricultural operations of this country ?

A. I think India would be better employed during the next 10 years in developing the waste lands of India, developing irrigation works to enable her to deal satisfactorily with or as far as possible remove the famines altogether or at any rate try to remove famines by developing agriculture rather than developing the industrial side.

1843. *Q.* That does not answer my question.

A. You distinctly place a limit upon the amount of development you are going to have. If you commit yourself to the fact that you do not wish any development, I can probably give you a reasonable answer. If you are going to say, we will develop up to 1,000 mills within a certain number of years on certain facts and figures which you have in your mind, you are going very quickly.

1844. *Q.* You have not followed the gist of my question. You do not expect that, during the next 10 years, going as fast as possible, India would expect to start more than 1,000 mills ?

A. Mill industries should take their natural form, development without Protection. They may be required for the purpose of the surplus population. But the chief plan in the Government of a country should be agricultural development.

1845. *Q.* I am afraid you are trying to evade my question.

A. No, I am not trying to escape it. I cannot see clearly from the question what is wanted.

1846. *Q.* I should think it is very clear. During the next 10 years the fastest development of industries cannot bring into existence more than 1,000 mills ?

A. The mill industry should be developed naturally.

1847. *Q.* Suppose the development to be the fastest possible ?

A. I am not prepared to answer the question.

1848. *Q.* The question is whether there would be real competition between the agricultural industry and the mill industry, and whether there will be depletion of labour in consequence of the development of industries in this country. You said that you had no objection to the surplus population being engaged in the pursuit of industries. The agricultural population of this country is over 240 millions and the number that you can employ during the next 10 years in mill industries would not exceed 10 millions. Do you think that the taking away of 10 millions out of the 240 millions is going in any way adversely to affect the agricultural industry.

A. My Chamber is distinctly in favour of agricultural development. You are placing before me now a state of affairs by which industry is going to be developed first. This is going to take away the surplus population from agriculture if industry is to take whatever is required.

1849. *Q.* Would you tell me how it will affect the agricultural position ?

A. That is a question which I cannot answer.

1850. *Q.* In answer to the President when he asked you to compare the condition of things in England with the condition of things in India you naturally enough pointed

out that in England the population during the cold season would find a much better place within the mill and would be able to work very well. You also said that in Bombay during the hot months the labourers will find it very difficult to work. But you forget that the Indian labourer is a creature of the climate and that he is inured to the heat of the season. Undoubtedly therefore he will not find any difficulty in working in the months of April, May and June. Of course no English labourer would be able to work well in that heat. But you forget that the labour employed in this country is inured to the heat of the country.

A. By pointing out the heat under which the operative works I meant that it is more than the natural heat to which he is used in the fields. Even though he is inured to the heat, the atmosphere inside the milll is more intensive than the heat outside and is more than he can possibly bear and tires him.

1851. *Q.* We are considering the labourer in the Indian mill.

A. The labourer in England gets a comfortable place in going to the mills, whereas a labourer in India in going to the Indian mills has to work in the heat.

1852. *Q.* The Indian labourers are accustomed to the heat and therefore, whether they work in the fields or in the mills, would not find much difficulty.

A. I cannot agree with that.

1853. *Q.* That is a different matter. You have said in answer to Question No. 18 that India will starve if her agriculture is not developed.

A. I think I have said distinctly that I would like to see Indian's agriculture developed first. There should be a margin of safety for famine years.

1854. *Q.* I have got your answer here. It is "yes, if the protective tariff is high enough. The Chamber's attitude would be hostile, because India primarily is and should remain an agricultural country, or her people will starve."

A. That is right. India must remain primarily an agricultural country. If you take industrial development first, the greater portion of the population will be diverted to industries, and agricultural production will be reduced. If food is not available in India for her people they will have to starve, because India must get food from her own land.

1855. *Q.* Now take for example, Japan. There is not enough food in that country. Do the people starve there?

A. No. Japan's conditions cannot be compared to our conditions. They have not got much land which would enable them to get enough produce. But India has wide stretches of land available for agriculture.

1856. *Q.* England can only feed herself for 21 weeks in the year?

A. But if England can only provide food for a small proportion of her population she must buy food with the result of her industries.

1857. *Q.* Quite so. There is no reason why India cannot do the same thing?

A. From what country is India going to buy food from? The world at the present time is barely able to provide the necessaries.

1858. *Q.* Therefore it is for the benefit of the world that you would like India to remain an agricultural country?

A. For the benefit of her own people.

1859. *Q.* Can you tell me how much surplus corn is being exported by this country?

A. I have not got the exact figures. But whatever that surplus is, it is to India's advantage that she should have a happy and contented people on the land and that she should have a big margin of safety in case of famine, so that her people may be protected should famine occur, and when the surplus is not required for that purpose she may be able to export it and bring wealth and prosperity to the country.

1860. *Q.* At present she is in a position to export food grains. Year after year, in consequence of irrigation projects, large tracts of land are being added, and therefore there will be more production year after year. In these circumstances, there would not be any difficulty in India providing food for itself under any circumstances.

A. This is rather a wide question. As Indians get more money, they will probably eat more and may change their standard of living completely.

1861. *Q.* This applies only to the extension of cultivation?

A. I hope so. I want to develop agriculture. But what I want you to see is that this development will not in the least be interfered with by the industrial development of the country.

1862. *Q.* Do you think that if there is a preference it should be the same to England as well as to the Dominions?

A. Yes.

1863. *Q.* Why?

A. We want to develop trade with the Dominions.

1864. *Q.* But do you know that as between England and the Dominions there is one kind of preference, but when India is concerned they hardly give us any preference at all. I should think you would not give them any preference?

A. I cannot speak for the Dominions. I am not an authority on Dominion matters. But the natural tendency would be, I think, for the Dominions to give you such returns as you were offering to them.

1865. *Q.* That is to say, reciprocal preference?

A. That would develop that way without it being definitely understood. Reciprocal Imperial Preference extended by India would naturally develop in that direction.

1866. *Q.* Do you know that some of these Dominions are treating the Indians very badly.

A. They are treating them badly, I agree.

1867. *Q.* So long as this state of things continues, do you think that the Legislature would consent to give preference to a Dominion which treated the Indian residents very badly?

A. Preference would bring them nearer, and I think that Indians would be more fairly treated then.

1868. *Q.* You consider that silver is a luxury commodity and should be taxed. Do you know that in India silver is not a luxury for the poorer classes of the people. For marriages and other things it is an absolute necessity. Even then would you like to have it taxed? The savings of these people are in the shape of silver ornaments, etc.

A. I would like to tax it heavily.

1869. *Q.* You tax the poor man's silver, which is an absolute and imperative necessity to him, and you tax it heavily compared to its value. The rich men of the country are able to bring various things for embellishing their houses and bring them free of all tax, while the poor man, who has hardly got enough to feed himself, has to pay a very heavy tax on silver?

A. I agree with you that it is very bad to tax silver so far as the poor people are concerned because it is a necessity for them. But my Chamber is definitely opposed to the argument that silver is not a luxury.

1870. *Mr. Birla.*—The President gave you some illustrations about the 10 and 15 per cent. duties. You said that the price will be raised only to the extent of 10 per cent. You think that there will be keen competition among the British exporters, and therefore they won't raise the price by more than 10 per cent. in spite of the fact that they will have the advantage of 5 per cent. as compared with the foreign exporters?

A. No. I do not think so.

1871. *Q.* You say that if the Indian manufacturers were given Protection there will be combinations amongst them and that they will raise prices?

A. I think that every manufacturer will try to get the highest price he can for the produce he has got to sell. The standard price that the Indian has got to compete against is the price of the imported article, the equivalent article to what the Indian can supply, and he will bring his price near to that, and sufficiently lower than that, to enable him to sell his goods in preference to the other one.

1872. *Q.* Then why do you want preference for the English manufacturer when he knows very well that exporters could not sell their articles with such an import duty?

A. Because of the competitive elements you have got in Great Britain and other countries for supplying these articles.

1873. *Q.* Do you think that there won't be internal competition among the Indian manufacturers in this country?

A. There will be to a small extent. But the general condition of things will be that the Indian (I don't want to raise any racial question), situated as he is here in the country, will put his price just a little below that of the imported article to enable him to sell his goods in preference to the one imported.

1874. *Q.* So you think that there will be keen competition amongst the British manufacturers, while there will be no competition at all amongst those who manufacture goods in India. That is your view?

A. It is my view.

1875. *Mr. Mant.*—You said that the Government system of control did not reduce the prices of food stuffs in India. Is that a general statement?

A. Yes, generally speaking.

1876. *Q.* I do not quite know what you mean by generally speaking. Take wheat and rice. You are aware that for a a considerable period the world price of wheat was considerably more than the Indian price owing to the system

of Government control, and the world price as regards rice was very much above the price at which Burma supplied rice to India. The people of Burma regarded it as a grievance. That difference in price was scored by the Indian consumer; that is to say, generally speaking, the Government system of control benefited the Indian consumer.

1877. *Q.* I am neither interested in wheat nor in rice. I may tell you definitely that I have heard, not once but on several occasions, from people deeply interested in wheat, from exporters, that if Government took off control, the price of wheat in the country would go down.

1878. *Q.* There was the world price, which was much larger than the Indian price. You say that if Government had allowed wheat to go out of the country without any restriction, the price would not have been higher?

A. It was not my intention.

1879. *Q.* You would in these conditions have allowed and continued prohibition of exports of necessary foodstuffs in this country?

A. Most certainly. I am sorry if there has been any misunderstanding.

1880. *Q.* I only wanted to clear up your statement?

A. I would not certainly have allowed the people's food supplies to be taken out of the country under those conditions.

1881. *Q.* I only wanted to clear it up, that is all. I do not want to go over the ground already traversed so frequently. But I just want to clear up your main position, which is that India must be developed agriculturally. I take it that the basis of your argument is that there is not sufficient labour for both, for large industrial development and for agricultural development. Is that really the basis of your position?

A. I would not go so far as that. The basis of my Chamber's reply is that they consider that India should pay all its attention to agricultural development. If you are going for Protection wholesale, you are immediately going to lend very considerable assistance to the establishment of industries first. The establishment of a large number of industrial works in India to a far-reaching extent might employ a very large number of people, and when that condition is brought about without first developing agriculture you would have a serious state of affairs in this country. If you are going to build industries under the cloak of Protection, you are going to take away from agriculture a tremendous population.

1882. *Q.* That is the point I wanted to draw your attention to. They will take many people off the land?

A. I have stated the position in my note.

1883. *Q.* You also contemplate intensive agriculture and the increase in the area under cultivation. Do you anticipate that this will require a large number of agricultural labourers and will increase the demand for employment in agriculture?

A. It is a very wide question. It is very difficult to answer. It depends on the area you are going to increase and the length of time you are going to devote to intensive agriculture. It depends also on the wages people would get. These are the factors that go into it.

1884. *Q.* You do not anticipate that the population of India is likely to increase in the next 10 or 20 years?

A. I cannot say whether India's population will increase in the next 10 or 20 years or not.

1885. *Q.* I only want to see on what grounds you are apprehensive that there will be not enough labour to supply both industries and agriculture. That is what I want to get at. I am not quite satisfied with the grounds you have given for your apprehension.

A. To put things on an economically sound basis I suggest that it might be advisable to develop that which is absolutely essential to the country, namely, agricultural products, the feeding of its own population, before you attempt to take the necessary labour from that to the development of industries, when India can get easily supplies of all her requirements from other industrial countries and cannot so easily get her food supplies.

1886. *Mr. Jamnadas Dwarkadas.*—*Q.* You say that you are opposed to any export duty, but that if any exception were made it might be in the case of jute to the extent of a very low duty. Don't you think that considering our position in jute, jute can stand a substantial export duty?

A. If you are prepared to risk sustitutes coming in and handicapping the jute industry altogether.

1887. *Q.* Are you afraid of substitutes coming in?

A. There are already substitutes for many of these articles.

1888. *Q.* You are afraid of substitutes. Do you know that India had a very large indigo industry and that the indigo industry was practically ruined by the synthetic indigo. Had you then an export duty on indigo? So, after all don't you think that the invention of substitutes is more a matter of scientific knowledge than due to the existence of an export duty?

A. No. I do not think so. Science devoted its attention to finding substitutes for indigo because of the comparatively small supply as compared with the world's demand. The natural indigo was very very heavily priced.

1889. *Q.* Are you of opinion that so far no scientist has tried to invent substitutes for jute?

A. I have not been in a scientific laboratory, but I have reason for stating that a substitute for jute was found by the Germans.

1890. *Q.* But it has not yet been known to the world. The next question arises as to whether that substitute was a substitute which would only justify its manufacture in war times or under the extraordinary conditions which would arise if you put a high export duty on jute. (No answer.)

1891. *Sir Maneekjee Dadabhoy.*—*Q.* I understood you to state that in the opinion of your Chamber India should remain an agricultural country and foster her agricultural industry only. Am I to understand from that that it is the opinion of your Chamber that India should for ever remain dependent on foreign countries for her manufactured goods?

A. I have already said, Sir, that there will be a surplus population and that work must be found for them in the shape of industries. I have no wish to stop the industrial development of this country so long as it progresses naturally and not at the expense of the people backed up by a wall of Protection.

1892. *Q.* I quite follow. You want India to stand on her own legs so far as industries are concerned, but would not the inevitable result of what your Chamber recommends be to keep India wholly dependent for her manufactures on foreign countries?

A. Certainly not.

1893. *Q.* But to a great extent?

A. Possibly to some extent.

1894. *Q.* Is your Chamber of opinion that any country can grow in importance and wealth by prosecuting agriculture alone?

A. That is a question which has not been discussed by my Chamber.

1895. *Q.* The United Kingdom imports largely raw materials from India. Is it not to the interest of the United Kingdom and foreign countries that India should always remain an agricultural country?

A. Our decisions have not been based on the way in which other countries would look at this question, but only from India's point of view.

1896. *Q.* But I will solicit your opinion as a practical business man.

A. I cannot give an opinion as to what the effect would be on the United Kingdom. We have considered it from India's point of view.

1897. *Q.* We want to come to some logical conclusions. We want to learn whether in the opinion of your Chamber it is not to the interest of the United Kingdom and foreign countries that India should remain an agricultural country only and not a manufacturing country, so that she may supply raw materials to England.

A. I am not prepared to go further than to say that it is to India's benefit herself that she should remain principally and mainly an agricultural country, because we are considering only India's fiscal policy.

1898. *Q.* In answer to the President's question you said that you have no objection to India becoming a creditor country. Can she be a creditor country without a balance of trade in her favour?

A. No.

1899. *Q.* Then do you think that if India instead of exporting her raw materials manufactures goods and sends those manufactured goods to other parts of the world, the balance of trade would be in her favour?

A. Certainly if she does. I do not say that that would be to India's greatest advantage that she should manufacture her goods.

1900. *Q.* Would it not be beneficial to India's interests, and would not there be a balance of trade in her favour, if India, instead of exporting raw materials, manufactured those materials and exported the manufactured goods?

A. I have already said that it would give a balance of trade in favour of India, but I am not prepared to admit that that would be the best thing for India, because it will be harmful to India eventually.

1901. *Q.* You spoke about the climatic causes; my

friend Sir Montagu Webb has developed it and my friend on my left has also developed it. Have you read the report of the Factory Commission of India?

A. I cannot say I have read it all, but I have had some small connection with the question of factories and I know a little bit of it.

1902 *Q.* The unanimous opinion of the Factory Commission was that the climatic consideration as well as the longer hours of work did not affect Indian labour. Are you prepared to recede from the statement you have made?

A. I am not.

1903 *Q.* You have said in your examination in answer to the President that Great Britain is now gradually tending towards a protective policy for the world's peace,—as I understood you.

A. No, I did not say that she was gradually tending. What I said was that England in the interests of the world's peace had placed protective duties on certain specific articles which she considered essential to her key industries,—with a view to protecting the world's peace.

1904 *Q.* That is what you said. This was done entirely in disregard of the effect it would have on the pecuniary interests of the country? Will you go to this extent, that England was not swayed by her own pecuniary interests in adopting that policy and that only the idea of the world's peace was before her?

A. Is that question limited to the industrial interest or is it more far-reaching, extending to the very existence of the country itself? The answer will differ from these points of view.

1905 *Q.* Now, you said that you have no objection to India developing her industries to the extent of finding employment for her surplus population. Are you aware that agriculture as a whole is not sufficient to feed India at present?

A. I am not prepared to admit that in the first place. In the second place, my Chamber urges a better system of agricultural development, intensive agricultural development, irrigation works, technical education in agriculture, etc.

1906 *Q.* Would your Chamber favour direct Protection for agriculture?

A. My Chamber stands strictly by free trade, and I am not prepared to admit that Protection for agriculture is necessary in India.

1907 *Q.* You have said that so far as the surplus population is concerned you would like to see Industries started. Is your Chamber of opinion that India is now in a position to build up industries, without any sort of assistance, even for the surplus population? Is your Chamber in favour of giving Protection so far as the surplus population is concerned?

A. My Chamber is not in favour of Protection in any form or for any purpose.

1908 *Q.* You say in answer to Question No. 17 that only free trade would counteract the effect of any combination among protected industries. Is there no other remedy that you can suggest?

A. That is the main remedy. There are subsidiary remedies.

1909 *Q.* Apart from this remedy you do not believe in State regulations?

A. I do not believe in State interference. Tax the profits if you like.

1910 *Q.* You have been put several questions about Australia. Have you any personal knowledge of conditions in Australia?

A. I have never been to Australia, but I have read on Australian subjects.

1911 *Q.* We have gathered now that your Chamber is entirely against Imperial Preference.

A. I have made that perfectly clear.

1912 *Q.* Suppose that this Commission decides to go in for Imperial Preference, would you give preference to the Empire by effecting an increase in the duty on foreign goods or by making a reduction for Empire goods in the existing general rate of *ad valorem* duty?

A. It all depends on what is suitable.

1913 *President*:—*Q.* India wants to buy a certain quantity of manufactured goods. Britain and other continental countries can supply it. India calls for tenders. The duties are 10 per cent. on Empire goods and 15 per cent. on foreign goods. India is not producing; India is importing. Now you said that England would tender on the 10 per cent. basis and that the foreigners would tender on the 15 per cent. basis. If English manufacturers can successfully compete with the foreigners tendering on the 10 per cent. basis, then there is no meaning in putting a 15 per cent. duty on the foreigners. The meaning of putting a 15 per cent. duty on foreigners is to give an advantage to England.

A.—My Chamber is not in favour of giving any Imperial Preference, and I cannot go further into this.

Witness No. 12.

Mr. JAMSHED N. R. MEHTA, Karachi.

Written statement, dated November 1921.

1914. *Q.* 1. I am for protection but am not against free trade by way of fiscal treaties between individual countries if it suits and if it is in the mutual interest of the parties.

1915. *Q.* 2. I am not in favour of direct taxation.

1916. *Q.* 6. I entirely disapprove of imposing any excise duty on articles manufactured in India because a duty is imposed on imported articles of the same kind.

1917. *Q.* 9. Both revenue and industrial advantages must be taken into consideration.

1918. *Q.* 10. I do not think India will be independent of other countries with regard to all her requirements of manufactured goods and that is the reason why I am in favour of fiscal treaties between countries.

1919. *Q.* 11. No, I do not propose duty on all imported manufactures but only on those which are manufactured in India and which are likely to gain immediate advantage by protection.

1920. *Q.* 12. Whenever there is likelihood of immediate growth of industries, or immediate establishment of certain industries, protection must be afforded.

1921. *Q.* 13. If by proper figures and facts, it is proved that such industry would be established within a short period, protection may be tried for that industry.

1922. *Q.* 14. I am not in favour of a continuous assistance if the article is a necessity of life for people at large.

1923. *Q.* 16. I am in favour of giving all encouragement to handloom industries specially in villages.

1924. *Q.* 17. It cannot remain a secret. If protected manufactures take such advantage, remedy can be in the hands of legislation. It is not very difficult.

1925. *Q.* 18. It is likely that British or foreign industrial firms will endeavour to establish in India. In my opinion persons of those countries who do not treat Indians in their countries fairly and who do not allow proper status to Indians should not be allowed to establish industries in India. Legislation can pass a list of such countries from time to time. Persons of approved countries *may* be allowed to establish industries in India provided half the capital is open to Indians to be subscribed.

1926. *Q.* 19. I am not in favour of protection against raw materials which are brought to India for manufacturing purposes, unless it is proved that raw material in India is in abundance and of similarly good quality.

1927. *Q.* 22. Yes, to a certain extent for all articles, unless an article is a necessity of life for people at large.

1928. *Q.* 23. My answer is given in 22, as for example food-stuffs.

1929. *Q.* 25. I think if protection is adopted in spirit of industrial development of one's own country, its effect will be such as to raise the status of India in foreign countries.

1930. *Q.* 26. Yes, I am entirely in favour of it. I consider tariff treaties are very necessary. In my opinion such treaties must be made by India, independently with every other country in or without the Empire every 3 or 5

years, actually bargaining to give and get what suits both parties, under mutual agreements.

1931. *Q.* 27. Yes, I would recommend the procedure.

1932. *Q.* 29. I think an organisation is necessary.

1933. *Q.* 30. I am not in favour of export duties generally but in certain urgent cases of revenue safeguarding the interest of industry this may be done.

1934. *Q.* 32. I am not in favour of an export duty on raw materials to encourage its retention in India. I am in favour of protection duty on articles imported, made from raw materials exported from India. This will serve the purpose better.

1935. *Q.* 35. I am not in favour of Imperial Preference.

1936. *Q.* 36. I would not differentiate between the policy to be adopted towards United Kingdom and other parts of the Empire.

1937. *Q.* 37. I am not afraid of retaliation, but I do not think Imperial Preference will be advantageous to India. I do not expect a fair game and it will be a constant conflict between Britain and India. It is much better not to embark on it. I am not certain where it will lead to.

1938. *Q.* 43. Yes, I am interested in Flour Milling, tiles manufacturing and Oil Milling industries. I will be interested in Cotton Mills, shortly, as Secretary, Partner or Manager.

1939. *Q.* 44. Yes, natural advantages are those of raw materials available in India.

1940. *Q.* 45. Yes.

1941. *Q.* 47. *Flour Mills*: Colombo, Egypt, Mesopotamia, Southern India.

Oil Mill: I have just interested myself in it.

Tiles: Is entirely for Indian market.

1942. *Q.* 48. Australian flour is a competition in all markets and is a likely competition in the Indian market also.

1943. *Q.* 49. Shipping facilities. Agricultural development, etc.

1944. *Q* 50. I do not wish for any protection from Australian flour coming from Australia to India for two reasons.

(1) I think this competition *in India* is temporary.
(2) It is a necessary food of majority of people, but I would wish for protection for Oil Mill Industry.

1945. *Q.* 51. The Oil Mill Industry will develop very much if protection is granted. I feel within five or ten years, it will enable India to face foreign competition.

1946. *Q.* 53. Exchange depression does bring competition but it has been a temporary depression.

1947. *Q.* 60. I prefer protection in accordance with needs.

1948. *Q.* 61. Flour at present.

1949. *Q.* 64. If there is a high import duty to hamper Indian export, I would like to make a fiscal treaty with the country.

1950. *Q.* 67. Foreign countries who might suffer under Imperial Preference are likely to retaliate.

1951. *Q.* 74—77. I am not at all in favour of Imperial Preference.

1952. *Q.* 78. I prefer the system of *ad volarem* Custom duties.

Oral evidence, Karachi, the 1st December 1921.

1953. *President*: Mr. Mehta, you are a business man?

A. Yes.

1954. *Q.* From your answer to Question No. 1 I take it that you are in favour of a policy of protection, but that you will be willing to enter into trade treaties with other countries on a basis of mutual and reciprocal advantage. You are using the word free trade in that sense.

A. Yes.

1955. *Q.* In answer to Question No. 11 you mean to say that India will require supplies of manufactured articles to a more or less extent and that she will not be able to manufacture all her requirements of manufactured goods?

A. That is exactly what I mean.

1956. *Q.* You mean that protection should be extended to those industries which are likely to benefit immediately and result in supplying India with manufactured goods on the cheapest possible basis?

A. Yes.

1957. *Sir Edgar Holberton*: You think (*vide* your answer to Question No. 17) that it would not be difficult for the State to be perpetually interfering because trade has made a combination?

A. I do not think there will be any combination. If there should be a combination to an extent which would injure my country, or be harmful to my country, I am quite sure the Legislature would see what to do in the interests of the country.

1958. *Mr. Narottam Morarjee*: Please refer to your answer to Question No. 51. Do you want protection for oil mills only or for the subsidiary industries as well?

A. I mean all subsidiary industries. Also shipping, etc. All this need protection.

1959. *Sir Montagu Webb*; I gather, Mr. Mehta, that you are generally in favour of protection.

A. Entirely.

1960. *Q.* It has been suggested by some witnesses that if you encourage people in India to go from agriculture to industries you will be running the danger of a shortage of food-stuffs in India, for as the population of India is very large, other countries could not supply the deficiency in times of famine or food shortage. I should like your opinion on this point.

A. I have thought over that problem. Those who are of that opinion have not studied the condition of the agricultural population. If they go and see how many work and how many do not work, I really feel that they would not be of that opinion. I am of opinion that industries will not do any harm to agriculture.

1961. *Q.* You do not feel that if industries are stimulated in India there is any danger of diminishing the agricultural production and increasing the risk of famine?

A. I do not think so.

1962. *Q.* The other argument against protection which has been advanced is this: it is generally recognised that the imposition of import duties will raise prices in India either temporarily or permanently,—some people think permanently, other temporarily. Some of the witnesses have told us that the present troubles of this country are mainly due to economic causes. What is your opinion with regard to the effects of protection? Do you think that if prices rose it would increase economic distress?

A. I personally do not think that it will affect the great mass of the people at all. It may affect a certain portion temporarily, but I think every country must pass through the transitional stage. I believe it will be only temporary, and I do not think it will affect the masses.

1963. *Q.* What do you consider are the necessaries of life of the masses?

A. Generally food and cheaper cloth.

1964. *Q.* Would you include sugar and iron?

A. To a certain extent, not much.

1965. *Q.* Do you think a policy of protection would add to the price of cloth?

A. The masses use the cheaper kind of cloth.

1966. *Q.* You do not think the price of that will be affected by the imposition of an import duty?

A. It might affect the middle classes to some extent but it would not reach the masses.

1967. *Q.* Whatever increase be brought about you do not think the masses would be affected?

A. Not to a great extent. Not to the extent of producing any great discontent.

1968. *Mr. Coyajee*: With reference to Questions Nos. 12 and 13, you would regulate the introduction of protection so as to give it first to those industries which are most promising and which would thrive in a reasonably short time?

A.—Yes.

1969. *Q.* You do not want to give protection to everything?

A. I have explained that I would confine protection to industries which are promising.

1970. *Q.* Coming to Question No. 26, you say that you are in favour of treaties of reciprocity on free and equal terms with the Dominions also?

A. With the Dominions and England also.

1971. *Q.* United Kingdom too?

A. Yes.

1972. *Q.* Suppose there is one Dominion which makes some concesssons, you would not refuse to make some equivalent concession?

A. It is natural that I should not.

1973. *Q.* With reference to Question No. 18, you have no objection to British industrial firms establishing themselves in India as a result of protection?

A. No.

1974. *Q.* Provided they seek our co-operation, you would welcome the contribution of British capital and brains and organization ?

A. Yes, certainly.

1975. *Q.* You think that is the true form of co-operation in industrial development of India ?

A. In the interests of both.

1976. *Q.* You think that will be an even more promising phase of British activity in the development of India than has been the case in the past ?

A. It is true.

1977. *Mr. Seshagiri Ayyar* : In answer to Questions Nos. 35 and 36, you say that you are not in favour of Imperial Preference, and that you would not differentiate between the policy to be adopted towards the United Kingdom and other parts of the Empire. Although other parts of the Empire may treat Indians very badly would you give them the same kind of preference as you would give to the United Kingdom ?

A. I would not differentiate between the United Kingdom and other parts of the Empire, provided they treat us equally.

1978. *Q.* Provided they treat us as citizens of the Empire.

A. As equals. It refers to the United Kingdom also.

1979. *Mr. Mant* : I would like to know how you would select the industries that you would protect. You said just now that you would protect industries which are flourishing or are likely to be flourishing. How would you determine what industries are likely to be successful ?

A. I think I said in answer to a question that I am in favour of an organization.

1980. *Q.* You do not say what the organization is. I would like to hear that.

A. We have got a Department of Commerce and Industry at present. I do not want that that department should be retained as at present. I expect that it should be changed. I would expect a Board of non-official members to work with that department with an Indian gentleman at its head, but who has no interest in any other industry, a fairly well paid official, a man of certain standing and capacity. I feel that they should have all the materials before them from all possible parts of the world. Also they should have every information for all industries in India. In that case, I feel that such an organization should take up and examine witnesses in order to decide whether a particular industry will be of immediate advantage to India in a short time if Protection is given to that industry, and after a decision is arrived at, Protection may be given in the way in which the Board decides.

1981. *Q.* Is the criterion to be the advantage to India or whether it is likely to be successful ?

A. Whether the particular industry would be advantageous to the country is the primary factor. As regards success, those who want to start the industry should have thoroughly examined the possibilities. I do not expect that they would go to the Board unless they felt that the industry would succeed. The Board will also be in a position to see.

1982. *Q.* Would you give the Board power to impose protective duties ?

A. No, but the Board will recommend to the Government.

1983. *Q.* Then you say in answer to Question No. 14, that you are not in favour of continuous assistance to articles of necessity of life. Do I understand from that that you are in favour of continuous assistance for other articles which are not necessaries ?

A. If there is need.

1984. *Q.* You would not confine Protection to industries which can be established more cheaply or would be in a position to stand eventually on their own legs ?

A. It will depend upon the necessity, time and circumstances.

1985. *Q.* You would not give continuous assistance to necessary industries ?

A. I am not in favour of continuous assistance if the article is a necessity for people at large.

1986. *Q.* If it is a necessity, you will take the duty off after a time ?

A. Yes.

1987. *Q.* If it is not a necessity you keep on the Protection for ever ?

A. If the other circumstances are such that it requires Protection, certainly.

1988. *Q.* You said you are interested in tiles. We want to collect information as to particular industries ; we want to get first hand information.

A. I am interested in flour, oil mills and tiles at present.

1989. *Q.* Tiles are manufactured from indigenous materials ?

A. Certain materials have to be imported ; certain colours have to be imported.

1990. *Q.* If a dye industry started in this country, would you be in favour of Protecting it ?

A. Yes.

1991. *Q.* You realise that it would increase the price of your colours ?

A. It will have also to pass through the transition stage.

1992. *Q.* You do not mind the duty on colour that you import ?

A. No.

1993. *Q.* You say in answer to Question No. 19 that you would not impose duties on your raw materials ?

A. If a factory for dyes is established in India, then I would not mind it.

1994. *Q.* You say that you are not in favour of protection against raw materials. My point is that a raw material for one industry is the finished product of another industry ?

A. I think I have qualified it. I have said "unless the raw material is proved to be abundant in India."

1995. *Q.* But that raw material may not be in abundance ?

A. The case will have to be examined.

1996. *Q.* It is very difficult to define what raw material is ?

A. It is not difficult.

1997. *Q.* It is not perfectly simple. I take the case of dyes. The raw material of dyes is the finished product of the indigo industry. You would not object to import duties on them ?

A. No, if it is to protect the larger industry. If I consider my interest very much smaller than the larger industry, then I would not. Each case has to be examined on its merits.

1998. *Q.* You state that you are not at all in favour of Imperial Preference. But you are in favour of fiscal treaties. I understand that Imperial Preference is simply a system of fiscal treaties and nothing else.

A. I am not of that opinion.

1999. *Q.* Will you explain the difference ?

A. When I say fiscal treaties, I keep myself free for making treaties with all countries in the Empire and also other parts which do not belong to our Empire. But I feel if there is Imperial Preference, I will not be able to make, as easily, as conveniently and as advantageously to my country, fiscal treaties with other countries which are not in the Empire.

2000. *Q.* You are afraid of tying your hands in dealing with other countries ?

A. That is one of my reasons against Imperial Preference.

2001. *Q.* But you cannot deny that you can make treaties with each Member of the Empire ?

A. I am very doubtful whether it can be called a treaty. It would not be mutual. My fear is that with Imperial Preference, we will not be free to make such treaty as I would call a treaty in the right sense of the word.

2002. *Q.* You mean that you are afraid that India will not be autonomous in fiscal matters ?

A. I am also afraid that it will not get a fair share, as much as she ought to. My opinion is first of all that Imperial Preference, is altogether impracticable in practice. Also the arrangement is not possible. Take for instance the little bit of preference in hides and skins. I think there was a protest from Canada and some other places that it was not workable. A system cannot be organised to carry out Imperial Preference efficiently. That is one of my reasons.

2003. *Q.* What is the other reason ?

A. The other reason is that I really cannot trust the arrangement at all. I cannot put confidence in the system of Imperial Preference, that India will get its right share by the system.

2004. *Q.* Assuming that Imperial Preference was arranged on precisely the same system that you propose to arrange fiscal treaties with other parts, supposing India was perfectly free to make whatever arrangement she considers best for herself ?

A. I should like that India should remain free. India should be autonomous both fiscally and politically. I do not think Imperial Preference is good for India.

2005. *Mr. Jamnadas Dwarkadas* : May I take it that you are of opinion that Imperial Preference, if adopted, would be a losing game for us ?

A. I feel that strongly.

2006. *Q.* How do you think that your suggestion of making fiscal treaties would be free from such a possibility?

A. It will be a matter of mutual arrangement. We stand on our own legs. If the terms are to the interests of India, then she will adopt it, otherwise not.

2007. *Q.* Do you think that Imperial Preference will act as a sort of barrier in making these fiscal treaties?

A. Yes, I do feel that. If once we step into Imperial Preference, it will be a strong barrier.

2008. *Q.* Do you think that that would be detrimental to the interests of India?

A. Detrimental to all interests, political, social, commercial and economical.

2009. *Q.* You were asked by Mr. Mant about the dyes that you have to use for the purpose of manufacturing your tiles. I am sure you do not mean aniline dyes?

A. They are of a different type altogether.

2010. *Q.* Can you tell me what proportion the cost of the dye bears to the total cost of production of tiles?

A. Say, about half of it.

2011. *Q.* That would not prevent you from advocating an import duty on the dye?

A. If it is to the interest of my country generally I would not.

2012. *Sir Maneckjee Dadabhoy*: What you mean by fiscal treaties is that India should be free to make any arrangement which she likes with any other country?

A. Yes.

2013. Provided she gets a corresponding benefit for the concessions she makes?

A. Certainly.

2014. *Q.* And not otherwise?

A. No.

2015. *Q.* You state in reply to Question 25 that if Protection is adopted for the industrial development of one's own country, the effects will be such as to raise the status of India in foreign countries. I presume you use the word 'status' in the sense of credit?

A. Yes, credit, position, honour, respect.

2016. *Q.* You say that Protection should be given to the oil industry. What sort of Protection would you extend to the oil industry?

A. I will put more protective duties on oils that are manufactured from seeds and also subsidiary articles which come up from the oils, say, soap, varnish, paint, etc.

Witness No. 13.

KHOJA MUKHI HOODHBHOY SHALOO KHARADAR, Karachi, and others.

Written statement dated the 28th November 1921.

2017. We, the undersigned merchants of Mekran Coast, with due reverence beg to submit our humble request regarding the difficulties of duties before your kind and favourable consideration.

(1) That the majority of the population of Pasin, Gwadur, Kalmet and Ormara numbering about 15 to 20 thousands called Baluchies live upon knitting kapats and mats prepared from palm leaves (Furra). These poor people work from morning to evening and get annas 2 or 2½ per day and live from hand to mouth.

(2) Up to 1915 there was no Custom duty on palm leaves except a duty of 5 per cent. on kapats and mats. Again in the year 1916 this duty was raised from 5 per cent to 7½ per cent not only on kapats and mats, but on palm leaves (Furra) too, on which there was no duty at first. In the year 1920 this Custom duty was raised from 7½ per cent to 11 per cent and also a Port Trust duty of 4 per cent, *i.e.* 15 per cent in all, gave a fatal blow to merchandise to the effect that the importation is reduced to half. Not only that, but the poor Baluchies of the said countries who largely live upon knitting mats and kapats owing to the want of work some of them have died of starvation and those living are passing a very miserable life.

(3) Owing to the heavy duty of 15 per cent (11 per cent. Custom and 4 per cent Port Trust) we, the merchants of Mekran, have reduced our trade to a large extent as we cannot meet the duties and the expenses incurred on the said goods. On account of reduction in trade, poor Baluchies die of hunger and are helpless to maintain themselves. Further we humbly beg to state before your honour that the said kapats and mats are made from palm leaves and we regret to say that we pay a separate duty on (Furra) palm leaves and a separate duty on material (such as kapats and mats) made from the same which means a double duty. Hence we beg to request your honour to abolish this duty on a trifling material like palm leaves (Furra) as was before. As far as kapats and mats are concerned we beg to approach your honour to abolish the duty on the said goods as most of the Baluchies live upon this handy work of knitting kapats and mats. We hope your honour will comply with our humble request and thus release us from this duty.

For this act of kindness we shall ever remain grateful and will pray for your long life and prosperity.

Please, if you desire, we can see your honour personally regarding full particulars.

Oral evidence of Mr. Mukhi Hoodhbhoy Shaloo, Karachi, examined at Karachi on the 1st December 1921.

President:—(As the witness does not know English questions will be asked by me in Sindhi and will be translated to the members.)

2018. *Q.* I understand you are interested in making mats and kapats out of palm leaves?

A. Yes.

2019. *Q.* Where do you get your palm leaves from?

A. From Mekran.

2020. *Q.* What are the names of the places?

A. Gwadar, Pasni, Kalmat and Otmara.

2021. *Q.* Are these places outside British limits?

A. Excepting Gwadar, all ports, namely Pasni, Otmara and Kalmat are under British Protection.

2022. *Q.* So that out of the four places you get your raw materials from, three are Protected States and one is British?

A. Yes.

2023. *Q.* What duty do you pay?

A. When these goods are imported into British Karachi we have to pay 11 per cent duty to the Government and 4 per cent to the Port Trust.

2024. *Q.* In what form do you get these goods?

A. Both in the raw state and in the manufactured state.

2025. *Q.* Both are subject to these duties?

A. Yes.

2026. *Q.* What becomes of the raw material?

A. It is manufactured here into mats and kapats.

2027. *Q.* So that there is a local industry which imports raw materials from these ports and manufactures mats and kapats in Karachi?

A. Yes.

2028. *Q.* After manufacturing these things do you sell them?

A. They are sold to dubashes for steamers and they are also sent to Bombay.

2029. *Q.* I am at present asking you only about the raw material imported; I will come to the manufactured goods later. On importing the raw material you pay these duties?

A. Yes.

2030. *Q.* Do you sell the manufactured goods in Karachi or do you export them to any other place?

A. About 87½ per cent is disposed of in Karachi and 12½ per cent sent out.

2031. *Q* Are you paying any duty for export?

A. There is no export duty.

2032. *Q.* You pay duty only in one direction?

A. It will help this industry if there is no import duty.

2033. *Q.* Now, I will deal with the manufactured mats and kapats. They also pay the same rate of duty that is levied on the raw material ?

A.—Yes.

2034. *Q.* What do you do with the manufactured goods that you import ? Do you sell them locally ?

A. 87½ per cent. is sold here and 12½ per cent. exported.

2035. *Q.* You pay no further duty on that when you export ?

A. No.

2036. *Q.* How many men are employed in the manufacture of the raw material imported and manufactured here ?

A. About 6 or 7 thousand people.

2037. *Q.* You have used the word Baluchis in your written statement. That is to say the people making these mats are the residents of Baluchistan ?

A. They are both Mekranis and Baluchis.

2038. *Q.* Are they British subjects or are they not ?

A. They are British subjects. They were engaged in this manufacture of the raw material. On account of the 11 per cent duty imposed on the raw material and the raising of the Port Trust dues by the Port Trust the manufacturing business is no longer paying and the quantity of the manufactured goods is reduced and this has brought unemployment to a large number of people.

2039. *Q.* Has the price of the manufactured article risen correspondingly to the imposition of the duty or has the demand been considerably reduced in consequence of the rise in price due to the import duty ?

A. On account of the duty the price has slightly risen and the demand has slackened off. People in Mekran who are engaged in manufacturing these mats are also suffering.

2040. *Q.* How many people are there engaged in this manufacture in Mekran ?

A. About 20 to 25 thousand people. Many of these people are dying of starvation due to unemployment.

2041. *Q.* Are the Mekran people British subjects ?

A. Under British protection.

2042. *Q.* Do you pay the same rate of duty as you pay from Pasni if you import from the other three places ?

A. We have to pay 12 per cent. duty for goods exported from Pasni and from other places at the rate of 8 per cent. In places where the Khan of Khelat is sovereign under the British Protectorate the British officers have auctioned the customs rights to the Khan, and therefore there is another export duty of 5 or 6 per cent. in those places.

2043. *Q.* You say that on account of the rise in price the demand has fallen off. Have there been no substitutes for the use of this article ?

A. Yes. The Tuticorin mats are imported and they compete successfully with these, and this also has led to a diminution in demand. The consequence is that unemployment has resulted both here and in Mekran causing a great deal of misery among the people employed in this trade.

2044. *Q.* What is the price of the Tuticorin mats ?

A. Rs. 3 per 100.

2045. *Q.* The value of these mats ?

A. Before the war Rs. 5 to Rs. 6 per 100.

2046. *Q.* What is the present price, I mean after the duty was imposed ?

A. The present price is from Rs. 4 to Rs. 5, but the demand has fallen 50 to 60 per cent. This is due to the Tuticorin mats competing in the market.

2047. *Mr. Narottam Morarjee*: *Q.* Can you give us the total value of these articles imported ?

A. About Rs. 2 lakhs worth of articles were imported before the duty was imposed. Now the Tuticorin goods to the extent of Rs. 1 lakh have come in, and the import of raw material has gone down too.

2048. *Sir Maneckjee Dadabhoy*: *Q.*—What was the total value of the imports before the duty was imposed ? The increased duty operated only in March. What was the total value before that date ?

A. Rs. 50,000 to Rs. 60,000.

2049. *Q.* What is the total value of the imports this year ?

A. Rs. 50,000 to Rs. 60,000, but the import has gone less and less.

2050. *Q.* The total volume of imports last year is the same as this year. Then how did the 11 per cent. duty operate prejudicially ? There has been no decline ?

A. The demand for these articles has fallen both on account of the import duty and on account of the competition of the Tuticoirn mats.

Witness No. 14

The (INDIAN), KARACHI HIDES AND SKINS MERCHANTS' ASSOCIATION.

Written statement dated the 29th November 1921.

2051. *Q.* 30. The view of Indian merchants is that export duties on hides and skins are an evil. They should not be imposed even for the purposes of revenue as such an imposition is likely to be injurious to the trade. Its imposition for other purposes would kill the trade.

2052. *Q.* 31. The effect of export duties on hides and skins would eventually ruin the export trade. Under no circumstances can they be imposed without injury to the trade as foreign traders would immediately resort to other markets which are not burdened with similar taxation. This is not a trade monopoly of India which can stand foreign competition in face of such export duties.

2053. *Q.* 32. Export duties on hides and skins are not a sovereign remedy for the retention of the trade in India.

2054. *Q.* 33. No, the objective would not be gained and is sure to hit the agricultural interest adversely. Production would be curtailed instead of expanding to meet a healthy rivalry for the world's demand.

2055. *Q.* 34. Retaliation would not help the agricultural interests but only the town capitalist and would invite the danger of other countries retaliating *quid pro quo*.

2056. *Q.* 61. Raw hides and skins to all parts of Europe and America.

2057. *Q.* 62. Yes, raw hides and skins. The effect of these duties has been very injurious to the trade.

2058. *Q.* 63. Total abolition of export duty on raw hides and skins is very strongly recommended.

Oral evidence of Mr. Bundally Kassim, Mr. J. R. Gandi and Khan Sahib Alidina Ali Mohamed, representing the Karachi Hides and Skins Merchants' Association, examined at Karachi on the 1st December 1921. [Mr. Gandi replied in the majority of cases.]

2059. *President*:—You appear as a representative of the Karachi Hides and Skins Merchants' Association ?

A. Yes.

2060. *Q.* Your Association consists of hides and skins merchants, both exporters and importers and manufacturers ?

A. Only exporters.

2061. *Q.* In answer to Question No. 30, you say that the view of Indian merchants is that export duties on hides should not be imposed even for the purpose of revenue as such imposition is likely to be injurious to the trade and that its imposition for other purposes will kill the trade. Will you please explain in greater detail what you mean by that ?

A. The imposition of a duty on hides and skins is an impediment in the way of doing further business. We receive offers from the United Kingdom but we are unable to accept those offers because they are lower than the cost price. That stands in the way of business.

2062. *Q.* What do you think is the effect of the export duty?

A. I am of opinion that the effect of the duty during the last three years has been to discourage the cultivator from having any interest in the production of hides and on the other hand the buyers in America and the United Kingdom said that they would not make their price on a par with that of other countries.

2063. *Q.* That is to say the local prices have not reduced and the purchasing prices in the consuming markets have not sufficiently appreciated to make up for the duty?

A. They do not stand on a parity.

2064. *Q.* What becomes of the hides then? Are they purchased by the tanning industry in India?

A. No. There is a natural shortage of production.

2065. *Q.* Surely hides are not an agricultural produce?

A. There is shortage of collection and transport.

2066. *Q.* Then these hides which would find a market and which would be exportable are not collected and transported to the markets?

A. Yes.

2067. *Q.* Then there is a great economic loss to the country by reason of the duty?

A. That is only part of the evil. If these duties were removed it would affect everybody, the man who collects the hides as also the producer and it would encourage trade; it will help the public also in a way, because when the price of hides and skins has fallen to its lowest level, the price of mutton and beef has gone up.

2068. *Q.* That is a very important point. You think that the effect of the imposition of this duty is to lower the price of hides and skins and that as a consequence the cost of the food supplies of the people in the shape of mutton and beef has risen?

A. Yes.

2069. *Q.* You also think that the agriculturists are not inclined to breed cattle as largely as they did before?

A. It will have that effect in time. The matter has not reached that stage at present.

2070. *Q.* So that in the opinion of your Association, the export duty on hides and skins is very detrimental to all local interests?

A. Yes.

2071. *Q.* In answer to Question No. 31 you say the export duties on hides and skins would eventually ruin the export trade. Do you mean that it would ruin the export trade because it will not pay the traders to collect and export hides and skins to the foreign countries, or do you mean that the export trade would be ruined because the cheap hides will be purchased by tanners who would tan these hides here as a local industry?

A. My answer to the first part of the question is in the affirmative.

2072. *Q.* Do you think that the reduction in price and the diminution or decrease in exports would help the Indian tanning industry, *i.e.*, that the tanneries would get their supplies cheaper and would tan them for local use in India?

A. I do dot think the tanning industry has yet reached that stage in which they would consume even an iota of the production.

2073. *Q.* You mean that the quantity produced in India is much too large for the number of tanning factories in India. But don't you think this would supply a stimulus for the multiplication of tanning factories in India?

A. I do not think so. I do not think it will have any effect on the tanning industry.

2074. *Q.* In answer to Question No. 32, you say that export duties on hides and skins are not a sovereign remedy for the retention of the trade in India. By that you mean the manufacture of hides and skins, *i.e.*, the tanning industry?

A. Yes.

2075. *Q.* Supposing it was considered necessary in the national interests of India to develop the tanning industry of hides and skins, what are the other remedies you would suggest, if not an export duty?

A. Production is large enough for these tanneries to have a free competition and meet the requirements in the ordinary channel. We are free traders.

(*Khan Sahib Alidina Ali Mohamed:*) Tanneries will get encouragement. It depends upon Government.

2076. *Q.* You are in the tanning industry?

A. I have got my own tannery. The articles we use for tanning purposes we get from upcountry. Freights have increased to nearly double the original rates. All these things are coming in the way of the tanning industry. By imposing a tax on raw goods of, say, 5, 10 or 15 per cent., tanneries suffer by about 100 per cent. or more.

2077. *Q.* In your view the industry will develop by efforts in the direction of cheapening materials which are required for tanning?

A. Yes, some sort of concessions should be shown by Government, for instance in the matter of railway freights.

2078. *Q.* Would you give any protection against a deliberate attempt made by another country to injure our manufacturing industry by allowing free imports of the raw material, while taxing the finished product?

A. We are of opinion that export should be free. There should be no retaliation.

2079. *Sir Edgar Holberton:* Could you tell me when your tannery was started?

A. About 1906.

2080 *Q.* How many tanneries are there now?

A. Two.

2081. *Q.* And for the first 10 years, say, until the imposition of this duty, did these tanneries do well?

A. This duty has not affected the tanning industry in any way. It depends chiefly upon the home markets. If the home prices are favourable then the tanning industry is paying. If the home market prices are unfavourable then the industry is not paying.

2082. *Q.* Home market for what kind of hides?

A. Prepared hides.

2083. *Q.* You export these principally to the United Kingdom

A. Yes. There is a market in London at which several auctions are held in a year and all the people, purchasers from Germany, France, Italy and America, bid at the auctions and buy there.

2084. *Q.* There is a perfectly free market there. Things come in from many parts and are sold there?

A. Yes.

2085. *Q.* On the whole you are able to carry on your trade?

A. Sometimes we lose and sometimes we get profits?

2086. *Q.* But you can carry on?

A. Now you cannot. The tanneries are doing very little business now.

2087. *Q.* That is not entirely because of the duty?

A. No. The duty has not helped us at all.

2088. *Q.* Do you also export raw hides?

A. Yes.

2089. *Q.* The quality of your hides was probably pretty bad?

A. No, not bad. It was good.

2090. *Q.* They tell me that usually the quality of the Indian hides is very inferior?

A. It may be inferior compared to other hides. But we are content with whatever price we get.

2091. *Q.* They were good enough to give you a good return?

A. They gave us a reasonable profit.

2092. *Q.* Your hides would not secure the top price on the market?

A. No. But there were some first-class hides.

2093. *Q.* Is your business still going on?

A. It is entirely ruined. But it is going on.

2094. *Q.* That was on account of the export duty?

A. Partly on account of the export duty, but mostly on account of the home market. Prices have gone down by about 75 per cent.

2095. *Q.* These hides are being purchased by other countries also in the United Kingdom?

A. For hides we make a formal contract for any port. Our agent sends us the offer.

2096. *Q.* Agent in what country? In the United Kingdom?

A. Yes. If the price is paying to us we send the goods. Otherwise not.

2097. *Q.* What is the volume of your hide trade at present?

A. It is now 25 per cent. of what it was two years ago.

2098. *Q.* That is before the duty?

A. Yes.

2099. *Q.* Do you think that if the duty was done away with, you would be able to compete again?

A. Yes.

2100. *Q.* This 10 per cent. preference for goods sold in the United Kingdom is not of much good to you, is it?

A. No. We have to wait a long time.

2101. *Mr. Narottam Morarjee:* Did you start the factory before the 15 per cent. duty was levied?

A. This duty has not materially helped us in any way.

2102. *Mr. Coyajee:* Can you give us the cause of the fall in the price of hides and skins since September 1919?

A. Since September 1919 up to the present time prices have declined by about 75 per cent.

2103. *Q.* Did they decline at once?

A. No, only gradually.

2104. *Q.* Can you account for the Madras tanneries agitating for the retention of the duty?

A. In 1919 the Madras tanners agitated that America was charging a duty of 20 per cent. on tanned hides while they allowed raw hides to go free into the country. There was revenue, and therefore they levied the duty.

2105. *Q.* And in retaliation too?

A Yes.

2106. *Q.* What will be the probable price of the raw material and the price of the bark and other preparations, supposing the price of a skin is 16 annas?

A. The price of a skin varies from Rs. 1-4-0 to Rs. 1-8-0, according to quality. The price of bark and other things will be 7 to 8 annas per pound. The increase will be about 15½ per cent.

2107. *Q.* Is it 7 to 8 annas now after this increase or was it 7 to 8 annas before?

A. It was 3 to 4 annas per pound.

2108. *Q.* Who are the producers of the raw hides? Are they shepherds?

A. Yes.

2109. *Q.* Are there cattle-breeders in this country? Do the agriculturists breed cattle? Is it a side occupation?

A. No.

2110. *Q.* Who does this business of cattle breeding?

A. They are poor people generally.

2111. *Q.* They do nothing else?

A. They are shepherds and poor people.

2112. *Q.* How do you know it?

A. Because they bring the skins to us.

2113. *Mr. Mant*: You said, I think, that the price has fallen by 75 per cent. in the London market?

A. Yes. And the duty on hides manufactured in England is 5 per cent.

2114. *Q.* Assuming that it is manufactured in India would you be able to revive in spite of the fall of 75 per cent?

A. Yes.

2115. *Q.* Then you can compete with other people selling hides in the London market?

A. Yes.

2116. *Q.* Could you tell us what hides compete with the Indian hides? I understand that there are very different qualities in hides?

A. China, Madagascar and South Africa are the principal places from which hides are collected in London.

2117. *Q.* Australian hides, for instance, compete with the Indian?

A. I cannot say. It is one of the impediments in the way of our selling naturally, as they want the cheap hides.

2118. *Q.* Comparatively cheaper, because of the inferiority? What other countries produce cheap hides like the Indian hides?

A. Argentine and China.

2119. *Q.* How does the rebate system work? Do you pay 15 per cent. or 5 per cent.

A. When we ship the hides to the United Kingdom we pay 5 per cent. duty and give Government a bond, undertaking to pay the balance of 10 per cent., if we do not produce a certificate within 6 months that the hides have been tanned within the Empire. A merchant's consignments were lying unsold and he applied to the Customs Collector for an extension of the period, which was increased to 12 months. This was again changed to 18 months, and at the end of that period Government gave another extension of another year.

2120. *Q.* They gave three years?

A. I may say that about two months ago we made an application to the Hon'ble Mr. Innes that unless we were given an extension we were not in a position to pay the money.

2121. *Q.* I understand that a good many of the hides have already been sold?

A. England is only an entrepot. 95 per cent. of the hides are used by the Continent.

2122. *Q.* Suppose you export now. You pay 5 per cent. and you give a bond for 10 per cent. Do you get the price you quote?

A. We ship the goods at our own risk. But we do not get that price. We get only the competitive price in the London market.

2123. *Sir Maneckjee Dadabhoy*: You say that the price has fallen by 75 per cent. If we abolish the duty how will it help you to revive your trade?

A. Only in this way that at present we have been trying our very best for the last 12 months to recover our trade but we always find this an impediment.

2124. *Q.* I know it is an impediment. But the margin of difference is high enough?

A. That difference is a wash out now.

2125. *Q.* Don't you think that the depression is in a great measure due to the depression in the trade all over the world?

A. Yes. We frankly admit that. But it is not the only cause of the falling-off of the trade. We only say that it blocks the revival of our trade.

2126. *Sir Edgar Holberton*: You are representatives here of the hide trade of Karachi?

A. Yes.

2127. *Q.* What you want to get is a remission of this 10 per cent?

A. I have got one thing to say. Whether it will be within the province of this Commission to discuss these things..... ...

2128. *President*: We cannot deal with the question of remission. We can only deal with the effect on trade of the duty. We can make recommendations whether it should be continued, increased or lowered or abolished.

A. I want to say one thing, Sir, with your permission. With the decrease of 75 per cent. in price and getting only 15 per cent. we could not revive business. For instance, in 1919 we used to pay 32*d.* per pound and we shared the cost on the basis of that value. That is, we drew a bill against them for £1,000. Now we have got an extension from Government for three years for goods which are lying there, for which we are getting 25 per cent. That is, for £1,000 we are getting £250, out of which nearly £150 will go in expenses. There remains only £100. There is a re-draft for £900. For £1,000 we received Rs. 8,000. Now for £900 we have to exchange at the rate of Rs. 15, and we have to give about Rs. 13,000. We drew Rs. 8,000, and now we are asked to pay Rs. 13,000, *plus* the 10 per cent. Government bond which we are giving. Sir, I think this point is clear. If this duty were removed we will be in a position to compete in other markets. Had it not been for the duty at present we would have been able to compete in business.

Witness No. 15.

C. A. H. TOWNSEND, Mr., I.C.S., Director of Agriculture, Punjab.

Written statement, dated the 12th November 1921.

A

2129. *Q.* To the Punjab in my opinion, a policy of free trade is very much better suited than is a policy of Protection. The province generally exports raw materials and imports manufactured goods. I do not think the Punjab can ever be a great industrial province owing to its lack of minerals and absence of cheap coal. Its population is mainly agricultural: the latest census figures available, those of 1911, show that 60 per cent. of its population is engaged *wholly* in agriculture, and of the remaining 40 per cent. many are part-time agriculturists. I deprecate any policy which would tend to sacrifice the interests of the country people to those of the town people, and this is what a policy of Protection might do, though the benefits of Protection to even the urban classes are problematical.

Bombay mills and extra-India mills provide the bulk of the cotton cloth consumed in the province. If protection is imposed against the extra-India cotton mills, what is to prevent the Bombay mills putting up their prices to very nearly, if not quite the same level, as that at which foreign

cloth would then be obtainable? In this not improbable contingency, a policy of Protection would have no advantages whatever, but many disadvantages to the Punjab.

2130. *Q.* 30. Export duties, if imposed at all, should be used only for revenue purposes I consider: thus the export duty imposed in 1919 on raw hides and skins has, I understand, not proved a success, and is exceedingly unpopular with the Mohammedan exporters of those articles from the Punjab. But I see no objection to the imposition of a small export duty on raw cotton, if the proceeds of the duty are used to develop and improve the quality and quantity of the cotton grown in India. This, I believe, is the object to which the export duty on tea is devoted and for this purpose also the recently imposed duty on exported lac will be used.

The position of export duties is of course, different as regards articles of which India has a certain amount, which cannot be replaced, as coal, or of articles of which it has a practical monopoly at present, as jute: in the case of the latter the foreigner may be made to pay the tax. But jute is not grown in this province: of none of the articles the Punjab exports does India hold a monopoly.

2131. *Q.* 33. The advisability of imposing an export duty on wheat is loudly advocated by the urban classes of the province, of whose diet it is much the most important constituent, with the object of lowering its price. This is not surprising when the great rise in the price of that article in the province in the last 20 years is considered (see Diagram 1). Thus in 1901 the price of wheat was Rs. 2 per maund of 82⅔ pounds; in 1906 it was Rs. 2-7-0: in 1911 it was Rs. 1-10-0: in 1916 Rs. 3-1-0. At the time of writing it has reached an unprecedented level, about Rs. 10, but this is due in the main, to the very serious depletion of the food stocks of India, principally on account of the very bad crops of India as a whole in 1918-19, followed by poor crops in the following years. The wheat crop that matured in the spring of 1921 was the worst the province had known for years. Generally the Punjab price of wheat is regulated by the world price. At present it is far in excess of this. Thus the price of British wheat per quarter was in 1917, 76 shillings per quarter: in October 1921 it had fallen to about 50 shillings. Punjab prices show a very different course: and Australian wheat is now being imported, on a not inconsiderable scale, into India.

The statement following this shows for each year since 1900-01 the estimated production of wheat in the province, and the amounts exported (A) overseas and (B) to other places in India, so far as can be ascertained. The estimated production is in my opinion generally an underestimate. It will be seen that, on the average, the Punjab exports 28 per cent. of its wheat crop: 21 per cent. overseas and 7 per cent. to other places in India (see Diagram 2). For India as a whole the proportion of wheat exported overseas to wheat produced is considerably lower.

Wheat is much the most important crop grown in this province: generally and roughly speaking, about half the total area sown in any one year is sown with wheat.

The advocates of an export duty on wheat hope thereby to lower the price of wheat. They would probably succeed in doing so, at any rate for the time being. But that the adoption of such a policy, whether based on unvarying figures or worked by a sliding scale, based on the estimated production, course of prices and the like (it would be exceedingly difficult, in my opinion, to work out a satisfactory sliding scale, so numerous and problematic are the various factors involved) would tend to the prosperity of the Punjab or even India as a whole, is in my opinion, entirely incorrect. The rise in the price of wheat and other commodities is discussed in Volume I of Mr. Datta's report to the Government of India on his enquiry into the rise of prices in India, 1915. There is much in this report to interest the Commission, particularly if the figures in it were brought up to date. It is particularly interesting in the present connection to note that in paragraphs 240 *et seq* of that report a decisive opinion is given against export duties.

It is the urban classes that advocate an export duty on wheat. Those of the rural classes, which produce wheat, who understand what is meant by these duties their standard of education is generally much lower than is that of the urban classes—are distinctly, and increasingly, opposed to it. They realise that probably they would have to pay the export duty: that in the long run they would get a lower price for their wheat than under present conditions: that rents would drop, and that the standard of living which, generally speaking, has risen considerably of late years in the province, particularly in the canal colonies, which produce most of the grain that is exported, would also decline. Eventually probably the worst lands would go out of cultivation, and there would be a tendency for other crops, as cotton and oil-seeds, to replace food grains. Nor would India as a whole benefit in my opinion in the long run by the imposition of these duties. The decline in the standard of living would eventually affect, not only the rural, but also the urban classes: the amount of imports would drop, as exports, which, in the main, pay for imports, would decrease. Thus imported goods would cost more, and I see no possibility of India, for many years to come, being entirely self-sufficient as regards her needs.

Of course, the wheat now exported overseas could be sold in India: *at a price.* And that price would generally be lower than that now obtainable. The words italicised are all important. Thus it is understood that the people of Denmark, a country famous for its export of agricultural produce, ate margarine themselves, till, at any rate, the outbreak of the war, and exported their excellent butter. They did not wish to pay the price for it: that was all. But they took a longer view than is now, in my opinion, showing itself among the advocates of an export duty on food grains, and did not try to stop the export of butter. They thought the country as a whole would benefit more by unrestricted exports than by restricting them for the problematic benefit of that proportion of their people who did not produce butter.

If export duties on food grains fell entirely on the purchasers, it is remarkable that none of the more progressive producing countries of the world impose them. Thus the advanced and intelligent people of the United States of America, which exported on the average of 1909-13, 15 per cent. of its total wheat crop—not a very different proportion to that of India's crop—promotes the transit and export of grain, internally and externally, with all the skill and resource of a civilized community.

Statement showing total produce and export by rail and river of wheat (including wheat flour converted into wheat) in tons in the Punjab, including Indian States.

Year.	Total production in tons.	Total net exports (in tons). Exports in following financial year.	Exports to Karachi practically all of which goes overseas.	Balance exports to places in India other than Karachi outside the province.
1	2	3	4	5
1900-01	2,623,094	(24) 625,826	(16) 424,587	(8) 201,239
1901-02	1,834,484	(29) 525,894	(23) 424,373	(6) 101,521
1902-03	2,303,929	(38) 881,942	(35) 804,770	(3) 77,172
1903-04	3,062,030	(39) 1,193,388	(37) 1,136,447	(2) 56,941

Statement showing total produce and export by rail and river of wheat (including wheat flour converted into wheat) in tons in the Punjab, including Indian States—contd.

Year.	Total production in tons.	Total net exports (in tons). Exports in following financial year.		Exports to Karachi practically all of which goes overseas.		Balance exports to places in India other than Karachi outside the province.	
1	2	3		4		5	
1904-05	2,844,270	(28)	783,277	(22)	611,493	(6)	171,784
1905-06	3,498,895	(33)	1,165,299	(24)	826,006	(9)	339,293
1906-07	2,641,285	(44)	1,164,933	(31)	826,101	(13)	338,832
1907-08	2,482,146	(13)	312,866	(7)	171,794	(6)	141,072
1908-09	3,350,887	(26)	884,514	(24)	801,444	(2)	83,070
1909-10	3,607,774	(27)	978,400	(24)	881,300	(3)	97,100
1910-11	3,709,481	(25)	932,393	(23)	845,085	(2)	87,308
1911-12	3,830,453	(31)	1,179,624	(28)	1,056,642	(3)	122,982
1912-13	3,242,375	(29)	948,529	(23)	756,273	(6)	192,256
1913-14	3,188,537	(32)	1,007,889	(23)	720,070	(9)	287,819
1914-15	3,725,000	(19)	701,095	(13)	477,208	(6)	223,887
1915-16	2,481,296	(35)	878,646	(28)	694,880	(7)	183,766
1916-17	2,937,212	(34)	996,660	(29)	860,119	(5)	136,541
1917-18	3,425,600	(19)	648,001	(10)	331,490	(9)	316,511
1918-19	2,893,378	(15)	434,454	(3)	84,113	(12)	350,341
1919-20	3,884,372	(25)	965,775	(11)	439,075	(14)	526,700
1920-21	2,301,388	.....		.....		.....	
Average of 20 years	3,078,320	(28)	860,470	(21)	658,664	(7)	201,806

N.B.—Figures enclosed in brackets represent percentages on column 2.

Oral evidence, Lahore, the 5th December 1921.

2132. *President—Q.* You say in the first part of your statement that to the Punjab a policy of free trade is very much better suited than is a policy of Protection?

A. Yes, Sir.

2133. *Q.* Now, would you examine this question from a provincial point of view and not from the aspect of the whole of India?

A. I have experience of this Province only, Sir. I have paid only casual visits to other provinces. Certainly from the Punjab point of view free trade is very much better suited to India than is Protection.

2134. *Q.* I ask you whether you would not determine the fiscal policy of India in regard to the interests of the whole country instead of in the interests of each individual province?

A. I would do so, Sir, but I think the Punjab is not an unimportant part of India.

2135. *Q.* Will you please tell the Commission your reasons for holding that a policy of free trade is very much better for the Punjab than a policy of Protection?

A. I have statements here showing the average amount of the articles imported into the Punjab every year. The figures are on the average of 10 years; if the total annual import is taken as 100, 18 per cent. is made up of foreign piece-goods, 12 per cent. of Indian piecegoods, 13 per cent. is composed of sugar, and 8 per cent. is composed of metals. You will see that a large proportion of these imported articles are foreign piecegoods and sugar, much of the latter comes from Java.

2136. *Q.* And metals?

A. A large amount comes from foreign countries. Well, if you are going to impose Protection against these things, against these foreign piecegoods which this Province imports, I take it that the purchasers of them will either have to pay more for foreign piecegoods and probably incidentally for Indian piecegoods, or do without. The same remark applies to sugar as well as to metals; that is my principal reason for holding my view. You may extend Protection to articles which India does not manufacture, for instance, metals.

2137. *Q.* What metals do you generally import?

A. We import rolled beams and galvanized iron to a large amount.

2138. *Q.* What the province generally imports are metals and manufactured goods? Is that a position which you would like to continue. I will put the question in a different way. Are you satisfied that the Punjab should always have to export raw materials and import manufactured goods?

A. No, Sir. I should very much prefer that we manufactured more of our own goods, but what I would like is different to what I expect. It will be in the very dim and distant future that we will be able to manufacture in this Province anything like the total amount of the things that we require. Thus I see no possibility of our being able to produce all the metals that we require. An examination of our provincial exports, on a ten years average, shews that if the annual total amount that we export is 100, 14 per cent. is raw cotton, 14 per cent. is gram and pulse; 26 per cent. wheat; 5 per cent. is "other grains"; 5 per cent. is hides and skins. These few items give more than 60 per cent. of our total exports.

2139. *Q.* Do you export cotton?

A. 14 per cent. Thus a very large proportion of our total exports are composed of raw materials. It will be a very long time before we are able to work our own raw cotton into cloth. As a matter of fact we have to import much from other provinces.

2140. *Q.* Would you not try and supply the requirements of your province by the manufacture of the raw materials that you are exporting?

A. Certainly.

2141. *Q.* If industries were once started and it was found that they could not withstand the competition of fully developed industries in other parts of India and in foreign countries would you give them some reasonable Protection?

A. I should be prepared to give Protection to industries in their initial stage, a policy which has been frequently advocated. Afterwards they must stand or fall on their own merits.

2142. *Q.* That is, would you continue Protection till that stage, or would you extend it to say, 20 years?

A. No; I would not go so far as that, I should give a fair chance from 5 to 10 years. We cannot give would-be industrialists indefinite time to build up their industry.

2143. *Q.* Would you have a definitely fixed period of protection for each industry or would the period of Protection be such as to ensure success?

A. I would give Protection for some years provided the interests of the large consuming classes were not made to suffer unduly. Each case would have to be decided on its own merits.

2144. *Q.* In the 2nd paragraph of your answer to question No. 1, you say that "a policy of Protection would have no advantages whatever, but many disadvantages to the Punjab." I believe that in view of what you stated in your evidence, you would qualify this statement?

A. I wrote this note from the point of view of the Punjab, and keen though I am on the material prosperity of this province, I do not think industrially it can advance owing to its lack of minerals and absence of cheap coal. Another difficulty is the very much greater cost of labour in the Punjab than in other parts of India. For example, in Gorakhpur even now I believe that you can get labourers for 4 annas a day. But in this province you cannot get a labourer for less than 12 annas a day and during harvest time the figure goes up to even 1-8 a day. We have very large schemes of irrigation sanctioned by the Secretary of State and when they are started there will be a great demand for labour and the labour market will rise still more.

2145. *Q.* I know that. What I ask you is whether in view of your oral statement you would modify your view to that extent?

A. Well, as I have just said, I would give limited Protection for a certain number of years to industries in their initial stages.

2146. *Q.* I have already dealt with the question and it is that the fiscal policy of India cannot be governed by the interests of each individual province. If, however, you carry your views to its logical conclusion, then Bombay would be perfectly entitled to protect herself by imposing heavy import duties on all your wheat that goes to Karachi?

A. In that case we would probably ask that Karachi be transferred to the Punjab.

2147. *Q.* That is a political question. We cannot have fiscal wars amongst different parts of India.

A. That is quite correct; but still speaking for the Punjab agriculturists that buy largely these manufactured goods, I deprecate any permanent policy being adopted to make these things dearer for them.

2148. *Q.* Have the irrigation works largely developed the economic prosperity of Punjab?

A. They have been a very great factor in increasing the prosperity of the province.

2149. *Q.* Irrigation works cost a lot of money which has to be borrowed?

A. Yes.

2150. *Q.* The Punjab does not supply all the borrowed capital?

A. We are going to try to raise a loan ourselves to finance our own irrigation works.

2151. *Q.* You are strongly opposed to imposing an export duty on wheat?

A. Yes, Sir.

2152. *Q.* You say that the price of wheat has risen in 20 years from Rs. 2 a maund to Rs. 10 a maund and that the effect of this rise has been to improve the economic condition of the agriculturists.

A. I do not think I say that, Sir.

2153. *Q.* But I ask you: Do you think that the effect of that rise has been considerably to better their condition? You say that it has raised their standard of living. They are living a more comfortable life?

A. Yes, Sir.

2154. *Q.* Simultaneously with that has the cost of production increased?

A. It has not increased, Sir, to the present level of the cost of wheat. The cost of production has not increased to anything up to the present level, because that level has only shown itself in the last three months. If we get a drop, as we hope, in the spring, the case may be different. It is quite exceptional now.

2155. *Q.* You say in your reply to Question No. 33, "Generally, the Punjab price of wheat is regulated by the world price. At present it is far in excess of, this. Thus the price of British wheat per quarter was in 1917 76 shillings per quarter; in October 1921 it had fallen to about 50 shillings. Punjab prices show a very different course." That is to say, though the world price of wheat has considerably fallen, the local price has not correspondingly fallen?

A. That is quite true, Sir.

2156. *Q.* How do you account for this?

A. I have tried to give some reasons in my written statement. Our stocks of food grains in India were as a result of the very bad monsoon of 1918-19, on the basis of an estimate which a friend of mine in the Government of India gave me, depleted by about 15 million tons; in normal years large stocks are generally hidden away in India—and in this province wheat and gram often lie lying in villages for two or three years until the greater part of them is eaten away by weevils. But in 1918-19 practically all these old stocks became exhausted. For this reason prices were already tending up, when the monsoon of last year proved a very bad one, and this was followed by the worst wheat crop on record within the last twenty years.

2157. *Q.* The demand for food supplies in India was so great that the wheat produced in the country was selling much above the world price of wheat?

A. Yes. There was an additional reason which caused the price to rise very considerably two months ago. The rains were very good and it was anticipated that a large area would be sown with wheat. So grain dealers expecting a considerable demand of wheat for seed began to put up prices: once they began to do this others began to speculate. Since the sowing season is over there has been a tendency for prices to drop.

2158. *Q.* I wanted to know whether you think it is fair to the Indian consumer that he should be made to pay for his food supplies, owing to the causes you have mentioned, rates so much higher than the world price of wheat?

A. I certainly do not want them to pay Rs. 10 a maund. The Punjab Government is doing all it can to lower the price. We have given facilities of transport for the import of Australian and American wheat from Karachi to the Punjab. My sympathies in this matter are entirely with the consumer, and I want to bring the prices in this province down to the world price.

2159. *Q.* Can you say how such a policy would affect the agriculturists, or the producers of wheat?

A. My feeling as Director of Agriculture is that I want to be fair to both sides. At present—the late season of the year—the middle man is getting undue benefits.

2160. *Q.* You recognise that in the interest of the consumer of wheat necessary measures ought to be adopted even though they may be detrimental to the wheat producer?

A. In such exceptional cases as we have now: not as a general rule.

2161. *Q.* Do you recognise that in exceptional cases such a policy would be justified?

A. Yes.

2162. *Q.* How do you explain the statement "Thus it is understood that the people of Denmark, a country famous for its export of agricultural produce, ate margarine themselves, till, at any rate, the outbreak of the war, and exported their excellent butter. They did not wish to pay the price for it: that was all." I do not think that anybody who has studied the economic literature of Denmark will say that it is a backward country. It is one of the most advanced countries, agriculturally. How do you explain the fact which you state that butter locally produced was exported wholly and the people of Denmark contented themselves with the use of margarine?

A. Because they preferred to have the money which their butter fetched in foreign markets to having the butter itself.

2163. *Q.* Then you say there was no desire in Denmark to eat the butter?

A. They had the desire, but they had a greater desire for the money.

2164. *Q.* So they subordinated their desire to the price which the foreigner paid for their butter in his country?

A. Yes.

2165. *Q.* Then you say that the United States of America "which exported on the average of 1909-13, 15 per cent. of its total wheat crop not a very different proportion to that of India's wheat crop—promote the transit and export of grain, internally and externally, with all the skill and resources of a civilised community." That is to say, America exports a large surplus production of food grains which is not needed for the use of the country.

A. I take it that the surplus that is exported from America could well be used in America, but that the Americans prefer to get the money.

2166. *Q.* The result of your reply would be this: that they substitute other food grains for wheat or that they lessen their requirements?

A. They may produce more than they require, but I have not got figures.

2167. *Q.* Have you any authority in books or otherwise to say that in the United States people do not get adequate food supplies and that there is some starvation or some scarcity?

A. I have not read very much literature on the subject, but I have certainly read that there is a very poor class of people in that country. I cannot say that there is scarcity.

2168. *Q.* Then you state "promotes the transit and export of grain internally and externally, with all the skill and resource of a civilised community." Do you think it is a great advantage to a big country like India to have efficient means of cheap and speedy transport?

A. Undoubtedly good communications are of the very greatest benefit to agriculturalists generally in enabling them to get good prices for their produce.

2169. *Sir Maneckjee Dadabhoy—Q.* How long have you been Director of Agriculture in this province?

A. Off and on since 1914. I was away doing other work for about 2½ years in part of which I was Director of Civil Supplies, and in that capacity I was more in touch with the wheat question than I am now.

2170. *Q.* So, you base your answers on your intimate official connection with the agricultural industry of the province?

A. Yes.

2171. *Q.* Am I right in understanding that you are against any system of Protection, and that you think that the interests of the Punjab would be better served by its remaining an agricultural province?

A. No. Probably if we had a lot of coal and minerals it would be to our advantage if we started industries, but we cannot start them as we have not got these minerals.

2172. *Q.* If you had these materials you would go in for Protection?

A. If I am satisfied that these difficulties could be overcome.

2173. *Q.* You are of opinion that a policy of Protection would increase prices and that the agriculturists who have to buy these things will suffer. You say "To the Punjab, in my opinion, a policy of free trade is very much better suited than is a policy of Protection." Would you not go to the extent of saying that if the Punjab being a unit of India had to make some sacrifice for the general prosperity of India, you would ask it to make that sacrifice?

A. Not altogether. I quite agree that no province can cut itself off fiscally from the rest of India. The interests of India as a whole has to be considered. But I am speaking now for the Punjab.

2174. *Q.* If the interests of India would be served, as one intimately connected with the agriculture of this province, you would not hesitate to make a small sacrifice for the general prosperity?

A. So long as the sacrifice is small.

2175. *Q.* You will also admit that if a policy of Protection is decided upon, it would not be possible to exclude the Punjab from its operation?

A. If any policy of Protection is decided upon for India as a whole it would obviously be impossible to cut off the Punjab.

2176. *Q.* You have told us about the difficulties of obtaining coal and minerals in the Punjab. Do you know that Bombay does not produce coal?

A. I believe it does not. But it has got enormous resources of water power.

2177. *Q.* Do you know that Bombay does not possess mineral resources?

A. Only to a very small extent.

2178. *Q.* If Bombay can afford to get its coal from Bengal (Jharia), the Punjab which is nearer to the Bengal coal fields should also be able to get coal from Bengal?

A. Yes. But we have another difficulty. Our labour is not particularly efficient. When I was Director of Civil Supplies in this province a cotton mill near Lahore was sold. It was bought by a Bombay merchant who took all the spindles and looms and other machinery away to Bombay and re-erected them there at very great expense, as he found the Punjab labour inefficient.

2179. *Q.* If Punjab labour is inefficient that is an additional reason why we should develop industries ?

A. Yes. But the labour in the Punjab is not only inefficient : it is scarce.

2180. *Q.* You are aware, I suppose, that Bombay, when it started on its industrial development, had inefficient labourers to deal with ?

A. I have not heard it.

2181. *Q.* Could you not train up this labour ?

A. You can get away from inefficiency, but I do not see how you can get away from scarcity.

2182. *Q.* That is, Punjabis are so much interested in agricultural pursuits that you cannot wean them away from them. Do I understand you to mean this ?

A. That is, in the main, correct.

2183. *Q.* But this phenomenon is not peculiar to the Punjab alone ?

A. It is more peculiar to this province perhaps than to any other province. During the last 30 years the Canal Colonies in the Punjab have greatly developed as also have parts in the centre of the province to which canal irrigation has been extended. Till that time they were a desert, and they supported few people who lived on their cattle. Now within the last 30 years millions of additional acres have become canal-irrigated, and cultivators have been drawn to them from the more congested Punjab districts. That is a very strong reason why labour is getting scarce, which, I do not think, applies to other provinces to anything like the same extent.

2184. *Q.* Do you mean to say that the construction of new canals require a large number of people for the agricultural pursuit, and in that way, labour is getting scarce ?

A. Yes, and it is no good giving water to land unless it is cultivated.

2185. *Q.* In this connection, I would ask you if you would differentiate the case of the Punjab from that of Rajputana, Central India or the Central Provinces ?

A. I have such a limited knowledge of those provinces that I cannot say.

2186. *Q.* You say that if Protection is imposed, what is to prevent the Bombay mills from putting up their prices to the level of the foreign cloth. Would you for a moment think that if the Bombay mills put up the price of their cloth to the level of the price of the foreign cloth, people would buy it ?

A. People have got to buy cloth.

2187. *Q.* But would they prefer the Bombay cloth to foreign cloth ?

A. Probably if they put up the price to the level of the price of the foreign cloth, they may not. But they might put it a little below that level.

2188. *Q.* Is it possible that if they put up the price to the level of the price of the foreign cloth, people would purchase the foreign cloth ?

A. Yes. It is quite likely.

2189. *Q.* Then you would modify it to that extent ?

A. Yes.

2190. *Q.* Could not this danger be further counteracted by starting mills in the Punjab ?

A. I do not think it could, for the reasons I have just given. We have not get sufficient labour.

2191. *Q.* You are not going to develop 100 mills at a time. Don't you know the factory population always grows ?

A. I must confess that my experience does not show that it does. We have got the woollen mills at Dhariwal in this province, have had them for many years but they are not getting any more labour as the years go on.

2192. *Q.* You say that you see no objection to the imposition of a duty on raw cotton if the proceeds of the duty are used to develop and improve the quality and quantity of the cotton grown in India. You would not otherwise impose that duty ?

A. No.

2193. *Q.* You are aware perhaps that the measures taken in other parts of India to improve the quality and quantity of cotton have not been very successful ?

A. I have studied them in detail. I was in the Cotton Committee and I am a member of the Central Cotton Committee of Bombay. I think there has been a great deal done in Madras and in other parts of India.

2194. *Q.* On the whole, they were not very successful ?

A. Not very successful, but something has been done.

2195. *Q.* May I understand from your answer that you favour an export duty on coal ?

A. I did not favour it. I only mentioned it incidentally.

2196. *Q.* Does it not lead to that inference ?

A. I would not commit myself.

2197. *Q.* I thought it lead to it ?

A. I would say that an export duty on coal may be less unjustifiable than an export duty on wheat.

2198. *Q.* I understand that it leads to it ?

A. If you like with this qualification.

2199. *Q.* You say that in the case of jute the foreigner may be made to pay this tax. Then you are in favour of retaining the duty on jute ?

A. We do not grow jute in the Punjab. I do not like to say anything on the matter. I know nothing about it. My position in jute is the same as regards coal : that is, if you are going to put export duties at all, I would prefer that they should be put on an article in which we have a monopoly, such as jute, or on an article with a limited supply which cannot be replaced, such as coal than on an article such as wheat which can be replaced and which can be supplied from other countries.

2200. *Q.* Do you know that if any duty is put on jute, it is likely to be prejudicially affected by substitutes ?

A. I have not studied the question. But I think it is very probable. All the countries of the world, who feel the export duty on jute, are trying all they can to find out some substitute, and they may succeed in time.

2201. *Q.* Having regard to your views I understand that you are not in favour of an export duty on wheat ?

A. Yes, I have devoted considerable thought to the matter. My written statement contains my views on the matter. Since 1918 the wheat crops of India have been poor.

2202. *Q.* Since what year ?

A. Since 1918-19. The crop of 1920-21 was exceedingly poor, the worst since 1901-02. But the immediate predecessor 1919-20 was good.

2203. *Q.* And it is on this basis that you are not in favour of an export duty ?

A. On what basis, Sir.

2204. *Q.* On the statement that you have made ?

A. My general written statement ? Yes.

2205. *Q.* Those were extremely abnormal years, the years you refer to ?

A. In the year 1918-19 the crop was poor, but not very bad. But the crop of 1919-20 was, as I have said, a good one. The rise in the price of wheat in India is due to the condition of recent wheat crops particularly and of all food crops generally throughout India.

2206. *Q.* It is an abnormal price ?

A. Entirely ; and there is no parallel for it.

2207. *Q.* Then in ordinary years if a good wheat crop is more than what is actually required for feeding the population of the Punjab, would you export the available surplus ?

A. Yes.

2208. *Q.* And in that case would you impose a moderate duty ?

A. No.

2209. *Q.* Why ? Would it not have the effect of lowering prices ?

A. I have studied the question of export duties to some extent ; they are not in favour in any country in the world. Apparently in England after the Norman Conquest such duties were always imposed, and the export of wheat was entirely forbidden. Then that policy was gradually changed, and we find import duties on wheat imposed. In 1849 they abolished the Corn Laws. Now there is free trade, To my mind what we want for wheat is free trade.

2210. *Q.* Surely you could not quote the case of England as apposite on this point, because England after all is very small, and its total crop is apparently insignificant as compared with that of the Punjab. Do you still maintain that that would be a fit case for any comparison ?

A. But I think you would find the same in all the countries of the world.

2211. *Q.* Other civilised countries have not gone in for a policy of putting on an export duty. For that reason you would not put any export duty ?

A. Not for that reason only. That is not the sole reason why we should not impose it.

2212. *Q.* Can you tell me whether export duties will lower prices or increase prices ? There are two opinions which have been placed before us, and as one of the expert men of this province, I would like to obtain your opinion. What is your opinion ?

A. It is impossible to say definitely. But my impression is that it will lower prices for the time being.

2213. *Q.* But it won't permanently depress the price ?

A. I cannot say. But I think that for the time being it will lower prices. At one time in England they prohibited the export of wool. This lowered the price of wool and thus eventually prevented the export of the lower quality wool.

2214. *Q.* What about rice? Do you think that an export duty on rice will lower the price?

A. Rice is a side issue with us.

2215. *Q.* I know that it is a side issue with the Punjab. But wool also is a side issue with the Punjab to a certain extent. You cannot explain the position of rice in this connection?

A. No.

2216. *Q.* Then I understand that you would object to a moderate duty even for revenue purposes?

A. I should deprecate anything at all.

Mr. Jamnadas Dwarkadas—2217. *Q.* You say in answer to the first question that the latest census figures available, those of 1911, show that 60 per cent. of the population is engaged wholly in agriculture, and of the remaining 40 per cent. many are part-time agriculturists. Now do you think that the methods of scientific cultivation are applied in the Punjab?

A. I do not think that cultivation in the Punjab is bad.

2218. *Q.* Do you think that the best scientific methods are employed in the Punjab?

A. I think the methods can be improved, but I do not think they are bad.

2219. *Q.* You admit that there is a good deal of room for improvement in the methods?

A. There is a certain amount of room certainly.

2220. *Q.* If scientific methods were applied, don't you think that the masses would be better with a smaller number of people engaged in agricultural labour?

A. Yes, but it will take a long time to attain that so as to make any appreciable difference.

2221. *Q.* You do think that if scientific methods were applied that would be the result?

A. The eventual result after many years. It will take a long time to accomplish.

2222. *Q.* In that case don't you think that a decent proportion would be available for industrial purposes?

A. I think it will take a very long time. Apart altogether from the question whether it is available you have got to consider whether the people like it. They do not like factory work. They like to be in their own homes.

2223. *Q.* According to your own statement 60 per cent. depend upon agriculture to-day?

A. Yes, 60 per cent. wholly and 40 per cent. partly.

2224. *Q.* That means that the maintenance of the 60 per cent. depends upon agriculture?

A. Yes.

2225. *Q.* Suppose you get the same result or a better result by employing less men, don't you think that the people remaining would like to have an additional source of income?

A. Yes.

2226. *Q.* That means they will take to industrial labour?

A. In a very long time.

2227. *Q.* But eventually they will?

A. They might do so.

2228. *Q.* In that case there is a possibility of the Punjab being an industrial province?

A. Yes. there is a possibility, but a very remote one.

2229. *Q.* Now you said that there is difficulty in getting coal and that the mineral resources of the Punjab are poor?

A. Yes.

2230. *Q.* When you wereasked by Sir Maneckjee Dadabhoy you referred to the water power that Bombay possesses?

A. Yes.

2231. *Q.* Don't you think that the Punjab to a large extent possesses water power also if you only apply your mind to it?

A. That is quite true, Sir. At present a large protect is under consideration, not very far from Simla. It is known as the Sutlej Hydro-Electric Scheme. But the trouble really is, I understand, to find sufficient people to take all the power that will be available.

2232. *Q.* If electrical power is available and if industries are started, then you would do away with the difficulty of coal altogether?

A. Yes, if power was available all over the province at sufficiently cheap rates?

2233. *Q.* It is quite possible that you can make it available, because you have got water power.

A. Water power is there in the hills. I do not see any possibility of the power being available in all parts of the province. Multan for instance, which is hundreds of miles away. The cost of a transmission would be very considerable.

2234 *Q.* You yourself said just now that a scheme is under contemplation?

A. Yes. I am speaking for the whole province. I do not think that water power can ever be extended throughout the province.

2235 *Q.* If all these conditions which I have mentioned are granted, under Protection, the Punjab is not likely to suffer as you make out?

A. It is very difficult to say. I am trying to represent what I consider to be the interests of the people of this province. I do not want them to pay any more than they have to pay now for the cloth and everything they have got to use.

2236. *Q.* Don't you admit that if these conditions are granted and if you could as a result of the policy of Protection make the Punjab an industrial province, you would be contributing to the wealth of India?

A. If we could do all that, certainly I agree.

2237. *Q.* Leaving aside the question of the mills in the Punjab, suppose the mills in Bombay grow in number as a result of the policy of Protection, don't you think that there would be internal competition set up to a sufficient extent to prevent prices becoming prohibitive?

A. It is quite possible; on the other hand you hear of great "pools" in the commercial world at the present time. There is another point. At the present time Lancashire manufactures cloths of a quality, which I understand are not at present made in Bombay.

2238. *Q.* That is a different question. Probably you are aware that most of the Lancashire cloth is consumed by the rich classes and not by the masses?

A. Of course they want finer counts, that is expensive cloth.

2239. *Q.* The price of Lancashire cloth would not affect the masses of the people as such?

A. You will find that the well-to-do peasant of the Punjab uses such cloth. The majority of them are well-to-do men.

2240. *Q.* Coming now to export duties, you are entirely against having any export duties?

A. Yes.

2241. *Q.* Especially an export duty on wheat?

A. Yes.

2242. *Q.* You admit that the price has gone up from Rs. 2-7-0 to Rs. 10 in the course of 20 years and you admit that it is an enormous rise?

A. Yes.

2243. *Q.* In years of scarcity or famine would you

(*i*) prohibit export;
(*ii*) restrict export; or
(*iii*) allow export subject to an export duty?

A. I would adopt one policy. I would either have open export or I would stop it altogether, as was done during the war when conditions were very exceptional, and as is nominally the case now; it is really only a paper restriction as Punjab wheat cannot at its present price be profitably exported overseas. Indeed, as already said we are now importing both Australian and American wheat a condition of affairs for which I think there is no precedent.

2244. *Q.* Suppose you stop export altogether, will it not have the effect of lowering the price?

A. It would in ordinary years probably have the effect of lowering the price. It would only be imposed in very exceptional conditions when we want to lower the price.

2245. *Q.* Then the producer would be the loser?

A. When I replied to Question No. 33, I was replying on the general question of export duties.

2246. *Q.* Take also the special circumstances of scarcity?

A. Government were quite right in stopping the exports as they did in 1919-20.

2247. *Q.* You said that you would either have open exports or stop them altogether. What would be the result of your keeping the export open?

A. What would happen is happening now. There would be no effect whatever.

2248. *Q.* Do you mean that the people of this country cannot get sufficient wheat?

A. If the price becomes very high, it becomes quite out of touch with the world level of prices of wheat, as is the case at present; and in such a case the prohibition of exports exists on paper as export would with the prices at the levels I have in mind not be a commercial proposition. If you prohibit exports in very severe scarcity, such occasions would be so exceptional that they would not have any effect on the growers of wheat.

2249. *Q.* You think that the policy of keeping open the export would not come in the way of growth of wheat.

A. I certainly think that export duties would eventually discourage the growth of wheat.

2250. *Q.* If the price fell from 10 to 7 rupees would it still discourage the growth?

A. I was thinking this morning as to what I would like the price of wheat to be. Before the war it was Rs. 3-12-0 a maund. I remember the late Lieutenant-Governor of the province said he would like the price to be about Rs. 4, he thought this figure would be fair to the grower and the consumer. But considering the great rise in the cost of everything and which the grower of wheat has to pay, *e.g.*, wages of labourers, cost of cloth, etc., I think if the price of wheat is between Rs. 6 and 7 a maund, that would be fair to everybody.

2251. *Q.* In order to bring the price to that level, would you or would you not resort to the remedy of export duty?

A. We have in practice got it at present.

2252. *Q.* In ordinary circumstances you would not favour export duties at all?

A. No. Even here the absence of an export duty has not made the price higher. By imposing export duties you are interfering with world markets. India cannot cut herself off as a self-satisfied little entity in the world. It has got to link itself with the world. If you export less, you would have less money to pay for imports.

2253. *Q.* I am rather perplexed at your reference to Denmark. You say that Denmark exports its butter because it gets money for it, rather than use it itself? Do you mean to suggest that India should follow the same policy with regard to its wheat?

A. I mean that there is no restriction, I understand, on the export of butter in Denmark. If people in Denmark like to buy butter, they can buy it.

2254. *Q.* Do you think that butter is the same to the people of Denmark as wheat is to the people of India?

A. It is a very important thing, it is perhaps not equally important.

2255. *Q.* You would compare the importance of butter and wheat?

A. I confess wheat is more important to the people of India than butter is to the people of Denmark, but the principle involved in each case is to my mind the same.

2256. *Q.* Wheat is the main staple food of people in the north of India?

A. Yes.

2257. *Q.* You cannot treat it in the same way as Denmark would treat butter?

A. I do not agree with you. The principle involved in each case is the same, with varying degrees of importance.

2258. *Mr. Mant.* - *Q.* To continue the question which has just been raised, you said you thought that the fair price for wheat in the Punjab would be Rs. 6 to 7 a maund?

A. That is the figure arrived at this morning.

2259. *Q.* Can you tell me roughly how that compares with the world prices?

A. At present Australian wheat is being bought at Karachi at about Rs. 7-8-0 a maund. The quotation is steadily dropping. The price of Punjab wheat is also dropping and perhaps in a few months it may be in accordance with the world prices.

2260. *Q.* I take it that your view is that we should in future let the Punjab price keep in the touch with world prices?

A. Yes. That is my view.

2261. *Q.* You do not want export duties, because that would mean endeavouring to keep the local price below the world price?

A. Yes, because to my mind it would be sacrificing the interest of the Punjab grower of wheat to the consumer of wheat whether in the towns in the Punjab or in other parts of India.

2262. *Q.* Then as long as the internal prices are not based on world prices, you would have no restrictions?

A. Yes.

2263. *Q.* I understood you to say that you favour prohibition in abnormal times of scarcity, that is in times when Punjab prices are above world prices?

A. When world prices are lower, it is not a commercial proposition to export the stuff.

2264. *Q.* Would you only impose control when it is necessary?

A. You know, Sir, very much more on this than I do. You were in the Government of India yourself, when you stopped export some years ago.

2265. *Q.* We did that in the time of war when exceptional measures were necessary.

A. There is another consideration. The prohibition of export is in accordance with oriental traditions. The first thing that a Native State does in bad years is to stop all exports, and people expect us to do the same. So I consider it a good thing that in emergencies such as the present export should be stopped by Government orders even though as a matter of fact, export is not a commercial proposition. Sentiment carries a good deal of weight in this country.

2266. *Q.* Really your policy is free trade. India must keep linked on with the rest of the world markets. I ask whether you do not consider it a matter of great importance to the province and to India as a whole to provide a surplus of grain in good years as a margin of safety in bad years.

A. I entirely agree. But if you do not provide a market for that surplus in good years you tend to restrict production and the country will eventually be much worse off in famine years.

2267. *Q.* Therefore it all hinges on the policy of free markets for free wheat?

A. Yes.

2268. *Q.* To come back to the establishment of mills in the Punjab, you gave some reasons why you did not think it advisable. I do not think you mentioned one point which I expected, and that is climate?

A. You are right. When some years ago I investigated the matter as Director of Industries, I came across the same point. There are serious obstacles to the establishment of weaving mills in the Punjab owing to the exceeding dryness of the climate which causes the yarn to break.

2269. *Q.* Then you said that you would be in favour of protecting industries in their initial stages for very small periods. You mentioned five or ten years. Can you name an industry that could really establish itself on a sound basis in 5 or 10 years? You think it will be possible to get capital if you get protection for 5 or 10 years?

A. I mentioned 5 or 10 years, but I have not devoted much thought to the matter, but I should think that 5 or 10 years should be sufficient for a really promising industry. I am speaking as a Director of Agriculture and not as a Director of Industries.

2270. *Q.* Have you considered the policy of other countries adopting Protection? Is it not the general experience that once protective duties are imposed, after the industries have grown up there is a very strong opposition to the removal of the protective duties?

A. I have not studied the matter sufficiently, but human nature being what it is, it is probable.

2271. *Q.* In the statement appended about wheat production and export from the province, I take it that the balance between these figures you give is consumed in this province. You give the figures of total production and total exports?

A. Yes, the balance is consumed in the province, a small part is eaten by weevils and insects.

2272. *Q.* Of course, after this waste the balance is consumed?

A. Yes.

2273. *Q.* Have you studied these figures with a view to seeing whether the consumption of wheat is increasing or not?

A. No, I have not studied them from that point of view, but I have made frequent enquires on that subject from people in this province and they all say that people who 15 or 20 years ago were unable to buy wheat are now eating wheat.

2274. *Q.* Looking at these figures roughly, if put into five years periods, I find a steady increase in the balance left for consumption in the province.

A. The impression I have got from my conversations with people is that the consumption of wheat in the Punjab has increased.

2275. *Q.* Is it an increase of ordinary grain consumption or in substitution for other grains?

A. The people are now eating a higher quality of grains than they used to.

2276. *Q.* On the whole they are better fed?

A. Certainly. I am quite convinced of that.

2277. *Q.* And that I presume is due to the increased prosperity of the province?

A. Yes.

2278. *Q.* And the cultivator gets better prices for his produce?

A. Yes. In 1899-90, the last year when we had bad famine in this province wheat was selling at Rs. 4 per maund, and there were 240,000 people on our famine works. I have already said that wheat is now selling at Rs. 10 per maund, and other grains are equally dear in proportion. Despite this very high price when two or three "test" works, preliminary to famine works, were recently opened in the poorest district of the province no labourers came to them: the wages offered were too low. And this although those wages were exactly the same amount of real wages as were given on famine works in 1899-1900, being based on the price of grains. This is a good test of

the increased prosperity of the province. The fact that the people are able to pay the present very high prices indicates a very large increase in prosperity. And there is another matter which shows that to some extent. The province has within the last ten years imported an enormous amount of treasure. The average net import of treasure in bullion, rupees and gold for the last ten years is Rs. 5 crores a year. All this large amount imported into the province has disappeared in it. I do not know where it goes. It has probably been buried or converted into ornaments.

2279. *Q.* It is rather wasteful ?

A. It is wasteful. If we want money for our internal development we must get it out of these people.

2280. *Q.* We might now revert to the question of export duties. You say if we put export duties on food grains there will be a tendency to replace them with other crops. You mention cotton and oil seeds.

A. If you put an export duty on food grains you might get an entire upheaval of agricultural practice in this province. Even fodder crops might be grown in place of wheat. The farmers of this province, especially of the Canal Colony, are wide awake to the course of world prices.

2281. *Q.* That is a point I want to get at. There is really very effective competition between the different crops ?

A. Yes, very effective.

2282. *Q.* And the result of putting on a material export duty on wheat would be to discourage the production of wheat and to encourage the production of other crops ?

A. Undoubtedly in the long run.

2283. *Q.* We have had some witnesses who have said that they would meet that difficulty by putting an export duty on the other crops as well. I would just like to have your views about the effect of that ?

A. I have not considered that proposal. The idea of keeping all the raw materials in the country for manufacture is another step towards the isolation of India as a petty self-contained country, cutting it off from the world markets.

2284. *Q.* It is the advocates of the policy that favour it and not I. Do you think it a good policy to retain all the raw materials in the country ? Would it benefit India in the long run ?

A. There would be a loss of money. I think it would be a fatal policy to adopt.

2285. *Q.* Don't you think it would discourage agriculture ?

A. A lot of agricultural land would probably go out of cultivation in the long run. The sandy tracts and tracts where crops are grown in rain water would go out of cultivation.

2286. *Q.* And the result would be to restrict the total production of raw materials, and in the long run this restriction of production will tend to raise prices ?

A. Quite so.

2287. *Q.* And the policy would therefore defeat itself ?

A. Yes.

2288. *Mr. Birla. Q.* I understand that you do not object to the establishment of industries in this country, but you think that there are some difficulties ?

A. I do not at all object.

2289. *Q.* And among those difficulties are coal, climate and labour. Regarding coal and labour Sir Maneckjee and Mr. Jamnadas have given you the instance of Bombay and I hope it has satisfied you.

A. It has not satisfied me at all, because some parts of this province find it very hard to get railway wagons for their coal from Bengal.

2290. *Q.* But Bombay has had the same difficulty ?

(*Sir Maneckji Dadabhoy*—Much more.)

Regarding climate you know there are some cotton mills in Amritsar, in Delhi and also in Lahore. Do you think they have suffered on account of the climate conditions ?

A. There were two cotton mills and they have gone outlock, stock and barrel.

2291. *Q.* Principally on account of labour troubles ?

A. Principally on account of labour troubles and on account of climate.

2292. *Q.* Do you think that these Amritsar mills and Delhi mills had difficulty about labour troubles ?

A. I know the Dhariwal Mills had and have great difficulties about labour.

2293. *Q.* How do they get labour—do they import it from other provinces or do they get their requirements satisfied locally ?

A. Local people won't come to anything like the amount required.

2294. *Q.* But they are not suffering from want of labour ?

A. They are certainly suffering from want of labour.

2295. *Q.* But they are making good profits ?

A. But they are suffering.

2296. *Q.* What proof have you got that they are suffering on account of labour. They are making good profits.

A. I know it by frequent visits to them and other mills, and constant conversations on the subject with their managers.

2297. *Q.* When you speak of labour difficulties you mean skilled labour ?

A. There is difficulty about both sorts of labour, skilled as well as unskilled.

2298. *Q.* Do a large number of weavers in this province work on hand looms ?

A. Yes.

2299. *Q.* I think the hand looms in this province are perhaps more in number than in other provinces. Does this not show that the real difficulty is not labour but that the difficulty is efficient labour, skilled labour ?

A. These hand loom weavers of ours are very far from flourishing, despite the recent loom in the *Khadder* or country cloth, which they make. Most of them work part time at agriculture.

2300. *Q.* When they took to agriculture they did so as they could not find enough occupation in industries ? So you think there are many persons in this province who are obliged to take to agriculture because they cannot get sufficient factory work ?

A. No. If they find work in agriculture they won't come to factory work.

2301. *Q.* But some men will take to hand looms ?

A. It depends on how long their prosperity will last.

2302. *Q.* So the question is not about the difficulty of labour, but it is about the work.

A. There is considerable difference between work on hand looms and work in a factory in which the workers have to lead a life to which they are altogether unused. They object very strongly. They would rather work in their own villages.

2303. *Q.* They object to work in factories ?

A. Yes.

2304. *Q.* What is the reason ?

A. They like to be near their own homes, near their own people. They are not accustomed to factory conditions.

2305. *Q.* Do you know that a large number of persons from this province go to Calcutta and work as taxi drivers and in electrical works. They are very glad to work in factories ?

A. Personally I should not call taxi drivers factory workers.

2306. *Q.* That at least shows that they have not got much work to do in the Punjab and that they go to Calcutta, Canada and other places to see if they can get work ?

A. There is a great difference between people working as engine drivers and people working in factories. These people that you have in mind, the taxi drivers of Calcutta, would despise ordinary factory work.

2307. *Q.* As a matter of fact your view that the climate of the Punjab is unfavourable to cotton manufacture is based only on theory.

A. No. I have been told so by many gentlemen, though I have never worked in a factory myself.

2308. *Q.* Can you tell me whether the recent rise in the price of wheat led to an increase of wages to the labourers ?

A. The rise in the price of wheat certainly led to a considerable increase in the wages of the labourers.

2309. *Q.* Suppose the price of wheat is reduced. Do you think it will lead to the bringing down of the wages of labourers ?

A. It may do so.

2310. *Q.* If it does so, do you think the cost of production of wheat also will go down automatically, so far as agriculture is concerned ?

A. I cannot say in the least what it may do.

2311. *Q.* And if it does so, I cannot understand how you could object to imposing an export duty on wheat, since it will bring down the cost of production to the agriculturer too ?

A. You say "if". We may assume it, but we have no proof.

2312. *Q.* Try to assume it.

A. It can be assumed if you wish to do so.

2313. *Q.* We can assume that since it has raised the wages of the labourer on account of the rise in the price of wheat, it should also bring down the cost of production.

A. It is possible, but I entirely object to anything like export duties.

2314. *Mr. Seshagiri Ayyer.*—*Q.* As regards the question of the scarcity of coal, you know that there are some coal fields in this province, for example in the Salt Range and Kalabagh.

A. Yes. There are some.

2315. *Q.* Assuming that there is coal, do you think that you will get it much cheaper than in Bombay ?

A. There is very little and very bad coal.

2316. *Q.* But there is some coal ?

A. The advantage that will accrue to this province is not much.

2317. *Q.* But there is some advantage ?

A. It is about ·001 per cent.

2318. *Q.* Oil has also been discovered in the Attock oil fields. I think it is a fairly successful venture ?

A. I think so.

2319. *Q.* That would to a certain extent be a substitute for coal ?

A. But if the oil is put on the market there is no reason to think that we will get the oil cheaper.

2320. *Q.* Granted that it will be as high as coal, it would be an advantage to have some margin ?

A. Yes. It would be an advantage.

2321. *Q.* Surely you must be in a better position if there is a prospect of the oil being substituted for coal ?

A. I cannot deny that we will be in a better position, very slightly better position, than Bombay.

2322. *Q.* Have you ever compared the quality of the cloth produced in the Punjab with that produced in Bombay ?

A. I find that the cloth which the Punjab mills make is generally of coarser counts than that made in Bombay. It is poor stuff.

2323. *Q.* Have you compared the two ?

A. Yes.

2324. *Q.* Mr. Mant said that owing to climatic conditions Punjab-made yarn is weak. I want to know whether this is a fact.

A. I was Director of Industries and examined the question to some extent. There is no doubt that the yarn produced in this province generally is of a coarser count than the yarn produced in Bombay.

2325. *Q.* Have you examined the yarn yourself ?

A. Yes.

2326. *Q.* Am I right in saying that during the time of the war very nearly half a million people were recruited for the war from the Punjab without any detriment to agriculture. ?

A. No. I would not say that. I have come across lands myself which lay uncultivated during the war for want of cultivators.

2327. *Q.* Has there been considerable land like that ?

A. I cannot say considerable, but we had very many complaints that the field work could not be properly done for want of cultivators.

2328. *Q.* I have heard from a high authority that a large number of men who had been recruited for the war and sent to Mesopotamia stayed there as they had no work in their own province—the Punjab.

A. I had not heard this.

2329. *Q.* But if you had industries here, they would have returned to the Punjab ?

A. Well, nobody came to the best works we opened, as I have already said.

2330. *Q.* If you had industries would not that lessen the responsibilities of Government as regards famine works ?

A. Of course, in the long run. I have not the least objection to industries. I would like to see them established in the Punjab.

2331. *Q.* I am told that the Punjab people generally require more cloth than others ?

A. Yes, it is a colder country.

2332. *Q.* Therefore if you get industries established here, your people will have more chance of getting cloth than is the case at present ?

A. I would like to see industries here, but when that will come about is another matter. I would give every facility in my power to their establishment always subject to the proviso that the cost of living to the producers of wheat and other raw materials is not sent up.

2333. *Q.* I agree with you there. But you would give every possible facility to would-be industrialists ?

A. The Punjab Government has now a bill before the Legislative Council to facilitate the acquisition of land for factories. But I understand that there is some opposition from the agricultural classes.

2334. *Q.* You are in favour of protecting industries in their initial stages ?

A. I have not studied the question very much. But I think it is very probable that once you impose these protective duties, you will find it very difficult to take them off.

2335. *Q.* The wealth of the country will increase gradually ?

A. It is possible.

2336. *Q.* You support some sort of Protection at the initial stages till your industries are able to stand on their legs. Would that protection in your opinion take the form of a bounty or subsidy ?

A. I have not gone into that matter.

2337. *Mr. Coyajee*—*Q.* There is a statement by you as Controller of Munitions in which you say that, in time of war, in spite of the very large calls for Army purposes for labour, there was a great development of the manufacture of textiles in the Punjab during the war. That means that there was a considerable elasticity of labour ?

A. I think that the textiles that were made during the war were made in the Dhariwal mills, and to some extent they employed additional labour. They gave very much higher wages, very much more than what they would have got from agriculture.

2338. *Q.* Was the quality good ?

A. The quality of the Dhariwal productions is quite good.

2339. *Q.* The work of the best manufacturer improved steadily all the time ?

A. I believe so.

2340. *Q.* Now speaking about India generally, don't you think that there is great pressure at present on agricultural lands, that the margin of cultivation has been falling steadily and that very inferior pieces of land are being cultivated ?

A. I do not know India much outside this province. I can only speak for the Punjab.

2341. *Q.* The Punjab is very fortunate in that respect on account of the canal schemes; there are exceptional facilities. They do not exist in all parts of India and pressure might be great ?

A. I am not in a position to say.

2342. *Q.* Sacrifice might be necessary in order to remove the population from agriculture and put them on to industries ?

A. I cannot accept your assumption. I have no knowledge of other provinces.

2343. *Sir Montagu Webb*—*Q.*—I do not desire to ask your views on the tariff problem, but only on such matters as those with which you are personally familiar. You say that the rural classes who produce wheat realise with regard to an export duty that they probably would have to pay a duty and that they are increasingly opposed to it ?

A. Yes.

2344. *Q.* That is your personal knowledge ?

A. Yes.

2345. *Q.* Have you any reason to suppose that the wheat-growing classes would be prepared to make some small sacrifice to encourage the growth of industries in the province ?

A. No; I do not think they would make any sacrifice at all.

2346. *Q.* There is only one other point. Last evening at dinner, I was given some biscuits, which I noticed were manufactured in Australia. Having regard to the pre-eminence of this province as a wheat-producing country, do you know of any reason why biscuit factories should not be established in the Punjab ?

A. There is at present a biscuit company at Delhi. I am not a biscuit specialist, but I think the biscuits are not bad.

2347. *Q.* You do not know personally of any reason in the way of shortage of labour ?

A. The biscuit business is rather a specialised and expert business I believe. I understand Huntley and Palmers are the greatest biscuit makers of the world. They employ exceedingly secret methods which they keep confidential. They have got some special form of manufacture.

2348. *Q.* It seemed to me extraordinary that a place so far away as Australia should produce biscuits and send them to Lahore ?

A. Yes.

2349. *Mr. Narottam Morarjee*—*Q.* Do you think, Mr. Townshend, that the Danes would have exported their butter from Denmark if they had not found a substitute for it ?

A. I am not in a position to say. It is a matter of opinion. Very probably they would have.

2350. *Q.* In that case what would they have done for butter ?

A. They would have done without it.

2351. *Q.* Do you think that a country can do without butter, especially the Englishman ?

A. It is only a matter of opinion.

2352. *Q.* Are you in favour of an embargo being declared on wheat in years of scarcity in India or in the Punjab?

A. That point was rather brought out by Mr. Mant in his examination. The thing really rectifies itself. When you get above world prices, export automatically ceases. But I am inclined to think that it is a good thing. It is entirely in accordance with oriental ideas to put on an embargo.

2353. *Sir Edgar Holberton—Q.* Your views are based on the requirements of the Punjab. I take it that unless the individual view of the province is put forward, you cannot get at the truth?

A. That is my point.

2354. *Q.* That is really your reason for confining yourself to the Punjab view?

A. Yes.

2355. *Q.* You have been examined by several people on the question of young industries and their Protection, and you have given a limited support to the idea that they should be protected for a time?

A. Yes.

2356. *Q.* It has been brought out in evidence that you would desire to fix a period for this Protection?

A. Yes.

2357. *Q.* It seems to me that must be so, because it is no use bolstering up an industry if it proves unable to stand by itself?

A. Yes, I think so.

2358. *Q.* Do you know of any country in the world where they have fixed such periods?

A. I have not studied the matter much.

2359. *Q.* Some sort of changes in the rates of duties would be necessary from time to time as happened in the United States?

A. Yes.

2360. *Q.* I am told that Bombay is much worse off than the Punjab, because a considerable quantity of coal is imported into the Bombay presidency or Bombay town by train?

A. Before the war, I understood it went by sea.

2361. *Q.* War conditions were exceptional. It has been suggested that by the help of science and improved agricultural methods the number of people employed in agriculture would be reduced and you have agreed that would be so?

A. To a very limited extent and in the far distant future.

2362. *Q.* On the other hand would it not be true that those improved methods might bring places under cultivation which at present are not fit for cultivation?

A. Yes, it is possible.

2363. *Q.* Therefore there would be much room for the resultant excess of cultivators on the new land?

A. Yes, that is possible.

2364. *Q.* Would it be your definite opinion that that excess would prefer to find employment on the extra land?

A. It rather depends on the money they get from each. If the money was in any way like equal, they would prefer to work on their land.

2365. *Q.* But they can be tempted by high prices to go into factories?

A. Yes, but other things being equal the Punjabi will always prefer to work on his land.

2366. *Q.* It has come out in the course of your examination that this province has been steadily and increasingly successful?

A. That is my own view, and there is a certain amount of evidence in support of it.

2367. *Q.* That success has been achieved entirely on an agricultural basis?

A. Yes, our industries are very unimportant.

2368. *Q.* Comparisons have very often been made in the course of this important discussion, with other countries. If, for instance, we take America, is it not a fact that for years, almost centuries, certain parts of that country have definitely confined themselves to agriculture and that their labour has been devoted to it.

A. I was reading a book only this morning on the development of agriculture in America and the impression I got is in accordance with what you say.

2369. *Q.* In an enormous country like the United States of America there are definite tracts of country which have not been touched by industrial progress?

A. I have not been to the United States, but I imagine it is very probable. The book on American Agriculture which I was reading states that young men from Agricultural Colleges found agriculture pay them better than industry.

2370. *Q.* Exactly so. That is my impression too. It is quite within the balance of reason to imagine that such a state might be found in India?

A. Yes.

2371. *Q.* You say that 5 crores worth of gold and silver is imported net every year into this province. How is that figure checked?

A. That is a very pertinent question. The figures are furnished to us by the Railways, they relate to actual cash, and not paper money.

2372. *Q.* If a man goes away and returns bringing his money with him?

A. The returns do not show that.

2373. *Q.* Then these 5 crores are only the gold and silver that is booked as bullion or as rupees. Probably it is an underestimate?

A. There must be more in addition to that.

2374. *Q.* It has been suggested that the coal difficulty in the Punjab might be got over by the use of oil. Does not that largely depend on the oil produced?

A. Yes.

2375. *Q.* It is a matter of common knowledge that the best class of oil produced here has not a marketable value, *i.e.*, the class of oil required for fuel?

A. I confess I do not know much about oils.

2376. *Q.* The Burmah Oil Co. sells no oil fuel at all and the fuel oil which is sold in Rangoon is imported from Sumatra. That is a matter of speculation?

A. Yes.

2377. *Sir Maneckji Dadabhoy—Q.* In answer to Sir Edgar Holberton you stated that before the war seaborne coal traffic was great and that since 1914, practically the whole quantity has been imported by rail?

A. I believe so. But I understand a good deal is coming again by sea now.

2378. *Q.* Since 1914, even in the worst time of railway congestion, out of 200 mills in Bombay and Ahmedabad not a single mill suffered for want of coal?

A. You must have made an extraordinary arrangement with the Coal Controller.

2379. *President—Q.* You stated in answer to Sir Edgar Holberton that there are some parts of the United States which find to it their advantage to remain agricultural and have not given much attention to industrial enterprise?

A. As I said, Sir, I have not been to the United States, but only this morning I was reading a book published in the United States on the work of the Agricultural Department, and it says that when youths leave their Agricultural Colleges many of them find it pays them very much better to work on their land.

2380. *Q.* Is it to their advantage in spite of the fact that the fiscal policy for the whole of the United States of America is one and the same?

A. I do not want the fiscal policy of the Punjab to be different from other provinces.

2381. *Q.* There is one other point arising out of your replies to Mr. Mant, which I think is very interesting to the Commission. I merely desire some further information on the point. You say that at a time when wheat was at Rs. 4 a maund there were 240,000 people in the Punjab on famine relief in a famine year. Now wheat sells at Rs. 10 a maund and certain test works opened in certain parts of the Punjab did not draw any labour at all. How do you account for that?

A. Because the people are better off.

2382. *Q.* That is to say, that in consequence of agricultural development and the demand for labour for agricultural purposes and the general improvement in the economic condition of the people they have got better resisting power against famine conditions?

A. It means that people have more money than they used to have.

2383. *Q.* That is resisting power. Do you know that in consequence of the industrial development of Bombay, practically the same result have been achieved in regard to famine conditions?

A. Bombay has found salvation in industry, and we are finding our salvation in agriculture.

2384. *Q.* Therefore the best form of economic salvation, either industrial or agricultural, is as it suits the different provinces?

A. Undoubtedly.

Witness No. 16.

Mr. E. A. SCOTT, O.B.E., Director of Industries, Punjab.

Written statement, dated the 25th November 1921.

2385. *Q.* 11. I would favour the imposition of protective duties only on such manufactured articles as it is possible at the present time to manufacture in India, and on those articles which may be considered key industries, the manufacture of which it is possible to develop in this country. At a later date the question of imposition of import duties on articles (not being key industries) which it may be possible to manufacture in India, but which are not at present manufactured, may be considered.

2386. *Q.* 12. Import duties should be imposed on those manufactured articles which can, owing to local conditions, be manufactured as cheaply as, or cheaper than, imported articles ; but which at the present time, owing to lack of experience cannot compete with imported articles, and on manufactures which may be considered key industries, the principle being the protection of those articles which India, owing to natural causes, should be able to produce cheaper than any other country.

2387. *Q.* 13. I consider that new industries, which could be classed as key industries, should be protected ; the principle on which such industries would be selected is that they are articles essential for modern war purposes.

2388. *Q.* 14. Excluding key industries, I would confine Protection to those industries which are likely after a period to be able to face foreign competition without assistance.

2389. *Q.* 15. I would not grant special Protection in all cases indiscriminately against foreign goods favoured by such measures as dumping, bounties, subsidies or transport concessions.

The obtaining of articles below their cost price is very often of considerable importance to the people of a country. The Protection in these cases would have to depend on investigation of each case separately, and the means adopted would similarly have to depend on the articles concerned, the simplest method in each case being to impose an import duty slightly more than the article would cost, if it were not dumped in this country, or of such amount as would cover the advantage gained by bounties, subsidies or transport concessions.

2390. *Q.* 16. The encouragement of hand industries in this country is important, as a large number of the people, agriculturists especially, are employed at certain seasons of the year only, and suitable hand industries provide them with additional means of livelihood, and supply continuous employment.

Cotton, woollen and silk handloom industries are very suitable for the purpose indicated above.

2391. *Q.* 17. There is undoubtedly a certain amount of danger in India of Protection leading to combination among the protected manufacturers in order to maintain high prices. The only protection to the people and to the development of industries in such cases would be to abolish protective import duties on the article concerned.

2392. *Q.* 18. Under normal conditions the protective policy would undoubtedly encourage British and foreign industrial firms to establish factories in India in order to get the benefit of the protective tariff. Such action on the part of British or foreign manufacturers should in every case be encouraged. It would undoubtedly be for the benefit of the country to absorb foreign capital and to supply employment for its inhabitants.

2393. *Q.* 19. Difficulties of the nature indicated would undoubtedly occur. In fact, they have already occurred in the case of the export duty imposed on raw hides and skins, but such cases are always capable of adjustment.

2394. *Q.* 20. I think in the majority of cases the whole of the import duty is passed on to the consumer in a rise of price. For example, the rise in price of motor cars is more than 20 per cent. since this import duty was imposed.

2395. *Q.* 21. If the protected article were to be manufactured in the country to a large extent and of a more or less equal quality, it is possible that the whole protective duty would not come under the consumer.

2396. *Q.* 22. An increase in price to the Indian consumer would be but a small sacrifice if it really tended to develop industries.

2397. *Q.* 23. In imposing import duties the question as to whether the article was a necessary of life would have to be considered especially if its manufacture were not fairly largely established in the country.

As to what articles are to be considered as necessaries of life, the rapid advancement of civilization makes the answer to this question somewhat difficult. Taking life in its largest sense, certain articles may now be considered necessaries which were not so in the last generation. For example, at the present time, to the business man and industrialist, motor cars and vans are a necessity.

2398. *Q.* 24. An increase in the cost of living, whether caused by an increase in tariff rates or by any other reason, would be adjusted by a rise in wages or salary of all classes.

2399. *Q.* 25. The effect which a policy of Protection will have on the foreign trade of India would depend entirely on the body or department who would be appointed to administer this business.

2400. *Q.* 26. In certain cases it would be an advantage.

2401. *Q.* 27. My reply is "yes."

2402. *Q.* 29. To efficiently carry on the work, a permanent organisation would be essential, and on the efficiency of this organisation would, to a large extent, depend the success or failure of the whole undertaking.

2403. *Q.* 35. So long as the integrity, safety and well-being of this country depends on the supremacy of the British Empire, it would be suicidal on the part of India not to grant the preferential tariff to other countries belonging to the British Empire.

2404. *Q.* 36. I would not recommend any differentiation between the policy to be adopted towards the United Kingdom and towards other parts of the Empire.

2405. *Q.* 37. In the long run I do not anticipate any material loss to India from the system of Imperial Preference. On the other hand the gain would probably be considerable.

India would be in a far stronger position to meet retaliation by foreign countries if she were working in close co-operation with the rest of the British Empire than if she isolated herself by refusing to give a preferential tariff to other countries in the Empire.

Oral evidence, Lahore, the 5th December 1921.

2406. *President.*—*Q.* You are the Director of Industries, Punjab, Mr. Scott?

A. Yes, Sir.

2407. *Q.* In answer to Question No. 15, you say you "would not grant special Protection in all cases indiscriminately against foreign goods favoured by such measures as dumping, bounties, subsidies or transport concessions." I gather from what you say in the next paragraph, that you would not grant Protection in cases where there is no indirect disadvantage and that these measures are not adopted for the purpose of crippling local industries and then raising prices and exploiting the country?

A. Yes.

2408. *Q.* Will you kindly explain it a little more fully?

A. In the case of articles which are dumped, it will be possible for the organisation responsible for tariffs to eventually fix import and export duties. If the article is being sold at a lower price, then there will be an import duty to equalise it.

2409. *Q.* In your answer to Question No. 17, you speak of the danger of Protection leading to combination among the protected manufacturers. Do you think it is very near or remote?

A. Personally I think it is very remote at present.

2410. *Q.* Then as regards the last sentence of your reply to Question No. 17. Such a drastic measure as to abolish protective import duties would permanently injure those industries. I take it you would prefer evolving some measures which will not have the extreme effect of injuring the local industries permanently?

A. Yes, but I cannot think of any method which would have that effect.

2411. *Q.* You say in your answer to Question No. 20 that in the majority of cases the whole of the import duty is passed on to the consumer in a rise of price and you instance the case of motor cars. Do you think that there are other factors which operate in regard to the fluctuation of prices, for instance in the case of motor cars when the duty was imposed, the exchange was a little higher than it is to-day?

A. Undoubtedly.

2412. *Q.* The whole of the import duty would only be passed on to the consumer if the original manufacturers, the transport charges and the middleman's profits remain unchanged?

A. Yes.

2413. *Q.* If there was any change in any one of these, then to that extent the consumer would suffer a loss?

A. Yes.

2414. *Q.* In answer to Question No. 35 you advocate Imperial Preference. It means preference of one country towards another in the Empire?

A. Yes, it relates to those countries which belong to the Empire.

2415. *Q.* Would you confine this preference to commodities or to population? Would you confine it to preference in the exchange of commodities or would you also attach a condition of equal treatment to the population of each of the countries of the Empire?

A. I do not think that question arises in this connection. You cannot put a tariff on import of people.

2416. *Q.* Protection can be resorted to by imposing disabilities?

A. Yes.

2417. *Q.* Import and export duties are disabilities on free export and import of commodities?

A. Yes. I suppose between communities and people, there must be the principle of give and take.

2418. *Q.* Give and take is the basis of Imperial Preference. You would confine it to commodities only?

A Yes.

2419. *Q.* I should like to know what is really meant by Imperial Preference?

A. My point of view is you would allow in taxed articles either at a lower rate or free if it is imported from members of the British Empire as against articles imported from foreign countries.

2420. *Q.* You do not understand Imperial Preference as meaning Empire trade treaties, by means of which the exchange of commodities between two members of the British Empire could be agreed upon and arranged to the mutual and reciprocal benefit of each?

A. Yes.

2421. *Q.* Then really by Imperial Preference you understand Empire trade treaties?

A. It depends upon what is meant by Empire trade treaties.

2422. *Q.* That is to say an arrangement between two members of the British Commonwealth of a basis in regard to import and export duties, which would be to the mutual advantage of both. That is what I call Empire trade treaties?

A. Yes.

2423. *Q.* You do not mean that one of the two countries should deliberately accept permanent loss in the exchange of its commodities?

A. I think there are other advantages to be gained besides the ones connected directly with trade.

2424. *Q.* Will you please explain what other advantages you contemplate?

A. Take this instance. India has no navy, and the British Navy protects India and would have protected India had there been a necessity. That is an advantage which arises from any trade agreement. That is one instance; probably similar cases would arise.

2425. *Q.* I will deal with that one case. Of course it is typical of other cases. I do not want to elaborate the point. You think that in consideration of Great Britain giving naval protection to India she should receive some monetary benefit?

A. Yes.

2426. *Q.* Then you think it should not be in the direction of an arrangement by which that obligation on England would be met by a direct payment, but you would take an indefinite amount by means of Imperial Preference?

A. Preference would not necessarily mean a monetary benefit. It might mean other benefits.

2427. *Q.* That is exactly what I was leading up to. Apart from other advantages dealing with the question, you would advocate Empire trade treaties between the different members of the British Empire in the matter of exchange of commodities to the mutual and reciprocal benefit of both?

A. Yes. It is not only confined to the articles of trade.

2428. *Q.* Then what else?

A. Take the instance I gave you, Sir.

2429. *Q.* That does not arise here. We can always say that India has been maintaining an army which has been used for the benefit of England in various parts of the world during the past so many years. These are questions which we cannot go into. Have you really understood Imperial Preference to mean Empire trade treaties between members of the Empire for the purpose of exchange of commodities on a basis of mutual and reciprocal advantage?

A. Yes, in its wider sense.

2430. *Sir Edgar Holberton.*—*Q.* With reference to your answer to Question No. 19, I should be much obliged if you would kindly explain your system of adjustment?

A. Well, it will depend to a large extent on circumstances. If the committee or the organization which will control this question of exports and imports were convinced that,—to take one case, the case of hides,—an export duty on hides was certainly a hardship on the hide exporter and the balance of advantage given to the hide or skin manufacturer was not very great you will lessen the export duty or you will abolish it. You can hear both parties and adjust their differences.

2431. *Q.* You are going to have a permanent organisation which would control all tariff questions in India. Is that your point? I do not wish to put anything into your mouth which you do not mean. What are you going to do with this organisation?

A. My own idea is that it would have helped us to a considerable extent if we had been told how the export duties and import duties such as we have at present are arrived at. For instance, if the Government of India want to increase their income and they choose some article without due consideration it would not be fair; experienced business men could investigate the matter and should select the articles. The sudden establishment of an import duty on any particular article or export duty on any particular article, without any consultation with business men, might have very wide and far-reaching effects which it would be hard to remedy.

2432. *Q.* It is the Finance Department who first of all examine their budget and put on any sort of duty. They make an enquiry, but they are not checked, I admit. Your organisation will be an organisation for examining and checking all problems connected with the tariff?

A. I do not think that the Finance Department has got sufficient experience of business. They may be experts of finance, but I do not think they have got the machinery at their disposal to fix up the tariff, and they have not got people who can tell them what the effect would be.

2433. *Q.* Would you give me some idea of your organisation?

A. I have not got any definite organization in mind, but I think it should be an organisation of people who have spent their time mostly in trade. They will advise as to the business aspect of the question and the finance question will be looked after by the finance people.

2434. *Q.* And that would be a permanent body?

A. Partly.

2435. *Q.* It has always been put forward that the danger of such an organisation as you contemplate is that these people will be interested in certain industries which they know a great deal about and that they might show a tendency to favour the industries which they are connected with?

A. That is possible, but you can of course take their evidence for what it is worth.

2436. *Q.* The idea of having an organisation like that is that we may have some men connected with business to advise Government. There should be all manner of business men?

A. Evidently the people who are amongst these ought to be able to know something about it.

2437. *Q.* At any rate you will welcome an organisation of business people?

A. Largely business people.

2438. *Q.* In answer to Question No. 24 you say "An increase in the cost of living, whether caused by an increase in tariff rates or by any other reason, would be adjusted by a rise in wages or salary of all classes." That is to say you will meet the problem of the rise in the cost of living by an increase in wages?

A. My opinion is that it happens automatically.

2439. *Q.* Does not an increase of wages make the cost of production more costly? Then where do you get the

108584

increased wages? Suppose you do not get any benefit at all.

A. Then we get into the deplorable condition that we got into in England. But you take the case of what happened in America before the war. Wages were high, bread was more expensive and everything was more expensive than in England: on the other hand people got more wages, though people were complaining that the average man was not better off than he was before.

2440. *Q.* This is probably explained by the fact that in America the introduction of labour-saving contrivances has been carried to an extent that has not been carried in any other country in the world, and the number of men employed in America in any given piece of work is very much less than in any other country, so that the wages bill is not very big?

A. It cannot account for the high price of wages.

2441. *Q.* In any case, you do not think there is any way out of it?

A. No.

2442. *Mr. Narottam Moraryee*—*Q.* In reply to Question No. 11 you use the expression "those articles which may be considered key industries." Will you kindly define "key industries"?

A. "Key industries" was a term, I think, which was introduced some short time after the war started, *i.e.*, articles or materials necessary for modern war purposes. But there are other articles and materials on which certain industries depend which in peace time can be called the key industries of the world.

2443. *Q.* Could you suggest any method by which the hand industries of India would be encouraged?

A. The only method I can think of is by teaching people hand industries. This is partly the work of the Industries Department and by suggesting to them hand industries.

2444. *Sir Montagu Webb*—*Q.* I gather from your evidence, Mr. Scott, that you are in favour of Protection?

A. Yes.

2445. *Q.* You recognise that protection involves an increase of price to the consumer, but you consider apparently that the consumer should suffer that increase of price for the benefit of the establishment of industries; in other words, you consider that he should meet that additional price in order to encourage the growth of industries. A witness told us this morning that so far as the wheat cultivators are concerned they would not be prepared to make any sacrifice to encourage industries. What would you do?

A. If the Government after due consideration decided to impose any duty the agriculturist would have no further say in the matter.

2446. *Q.* That is to say, although the agriculturists would not like it you would nevertheless impose import duties?

A. Yes.

2447. *Q.* In your answer to Question No. 12 you tell us that import duties should be imposed on manufactured articles which can be manufactured in this country. Could you give us an example of one or two industries which might be started in the Punjab?

A. Yes, Sir. I think you can manufacture leather goods, cutlery, coarse cotton cloths up to a certain number of counts,—perhaps it would not be very fine weaving,—paper and soap. Some of these are being done, but they are not done on a very large scale at present or in a very efficient way.

2448. *Q.* You think that the resources of the Punjab in the matter of labour, fuel, climate and so forth are satisfactory for the multiplication of these industries?

A. At the present time the Punjab is handicapped by the shortage of coal, but if we develop our hydro-electric power there is no reason whatever why it should not be able to carry on her industries.

2449. *Q.* All parts of the Punjab?

A. At present we have only investigated the Bhakra site thoroughly for a big hydro-electric scheme, but the Punjab Government has got a Hydro-electric Survey Department now which will be investigating other sources and you cannot tell exactly in what other places we may succeed, but I hope when the survey is finished probably the whole of the Punjab might be supplied with hydro-electric power.

2450. *Q.* Do you think it will supply motive power for all these industries?

A. I am not talking about the immediate future. There is no reason why it should not be able to eventually.

2451. *Q.* I have been told that in the Punjab, the attractions of agricultural labour as regards wages are more than those of industrial labour. Therefore there may be some difficulty in securing labour for industries.

A. Personally I think there is no more difficulty in the Punjab in getting labour than there is in any other province or in any part of the world. Each and every one who owns big factories has to face labour troubles; it is part of his ordinary difficulties.

2452. *Q.* You do not think that the development of agriculture in this province tends to accelerate the difficulty?

A. No, Sir.

2453. *Q.* And in your opinion, it would be to the benefit of the agriculturists of this province to pay to establish industries?

A. Yes, to the greater benefit of the province.

2454. *Q.* We want to know why you advocate this policy?

A. Well, it is necessary for making the country self-supporting.

2455. *Q.* Why?

A. It is quite possible you might get cut off from the rest of the world. I do not think the people in this country realise how much they are dependent on the rest of the world. If India is cut off from the rest of the world they will begin to feel it.

2456. *Q.* Do you know of any country in the world which is self-supporting or that is ever likely to be self-supporting?

A. I think America could be self-supporting a great deal if she is cut off from the rest of the world.

2457. *Q.* Do you say she is self-supporting?

A. She could be.

2458. *Q.* Can you give us the imports of goods into America? My information is that they import enormous quantities of manufactured goods. I want to know your definition of self-supporting.

A. When the country is cut off, she must be able to turn out some of the essentials of war.

2459. *Q.* Regarded in that aspect Great Britain is the least self-supporting in the world. She would starve in a fortnight?

A. She has great potentialities.

2460. *Q.* She is liable to starvation in a fortnight.

A. It is quite possible, but she could ward it off by her strong navy.

2461. *Q.* If this country had a strong navy, you would not mind if she is not self-supporting?

A. The conditions are somewhat different here. This country has a big land border.

2462. *Q.* Have you ever had any personal experience as a manufacturer or producer?

A. Yes. I was in charge of a big workshop on the railways for over 10 years on the North-Western Railway.

2463. *Q.* Government employment?

A. Yes.

2464. *Q.* You have had no experience as a private trader or merchant?

A. No.

2465. *Mr. Coyajee*—*Q.* Your advocacy of Protection is based mainly on the infant industry argument, *i.e.*, we must support the infant industry against the initial difficulties?

A. No, I don't think so. I have said in various paragraphs, *vide* my answer to Question No. 12 "Import duties should be imposed on those manufactured articles which can, owing to local conditions, be manufactured as cheaply as, or cheaper than, imported articles," etc. It is also covered by my answer to Question No. 11.

2466. *Q.* So you want to push forward the infant industries of this country, or industries for which the country is specially suited. Now, this infant industry argument has been greatly strengthened of late because of the growing power of competition from abroad, for instance, in old days we had not these bounties and subsidies. Will you agree that this circumstance has increased the force of the infant industry argument?

A. Yes.

2467. *Q.* Also would you take this into consideration that owing to the large pressure on agriculture we are relying too much on an industry of diminishing returns?

A. I do not think it is an industry of diminishing returns.

2468. *Q.* All agriculture is an industry of diminishing returns, *i.e.*, ultimately after many doses of capital diminishing returns are bound to come.

A. I do not quite understand you.

2469. *Q.* If you apply different doses of capital, say 1, 2, 3 and so on, a time comes when agricultural production

yields less and less. Suppose you apply to one acre of land Rs. 100 worth of labour and capital it yields, say, X; if you apply Rs. 200 worth of labour and capital it will yield perhaps a smaller quantity in production.

A. Not necessarily. I think the potato crop in Holland by good manuring yielded three or four times.

2470. *Q.* I agree, but if the manuring goes on still further the law of diminishing returns must unquestionably come. What I mean to say is that in agriculture we are pressing the capacities of the land too much and it is essential that we should resort to manufacture.

A. (No answer).

2471. *Q.* Then coming to the question which was put to you about the department dealing with the regulation of the tariff, do you think there is more than enough work for a permanent department of business people and other people combined in this direction?

A. I think so.

2472. *Q.* For instance, that department will have to study the changes in foreign tariffs; then that department will have to study the effect of any tariffs that we might have on price conditions and cost of production. Then they will have to find out whether there is dumping. Then again they will have to compare the cost of production in this country and in other countries so as to regulate the tariffs. Don't you think there is more than enough work for this department?

A. Yes.

2473. *Q.* Then on the question of Imperial Preference you would define it as the act of granting tariff benefits in consideration of favours to be received from some Dominions. Is not this your argument: because some Colonies have already given concessions and others are willing to grant concessions and in return for either of these we might be able to help them a little bit?

A. Yes.

2474. *Q.* Please refer to your answer to Question No. 13. Would you call iron and steel a key industry?

A. It is a key industry.

2475. *Q. Mr. Seshagiri Ayyer*—There is only one question on which I want your opinion, and that is about Imperial Preference. Do you advocate Imperial Preference for the benefit of India, or for the benefit of the Empire? Will not India suffer to a certain extent?

A. I do not think India will suffer. It will gain in the long run. I have said that in reply to Question No. 37.

2476. *Q.* Supposing preference is granted to the whole of the Empire, that means that India will have to forego a certain amount of duty which she is imposing on the goods, and to that extent the country to which preference is given benefits. Is it for the purpose of political benefits or commercial benefits that you advocate Imperial Preference?

A. For both.

2477. *Q.* First of all we will take the political benefits. For example, as was put by one of the leading Anglo-Indian papers, it will enable Great Britain to maintain a great navy. Don't you think a direct contribution from this country for the maintenance of the British Navy would put this country in a better position than by this indirect way of giving preference?

A. I think they should give both.

2478. *Q.* It will altogether impoverish India.

A. But when India progresses and becomes wealthier and can afford it, I do not see why she should not. By establishing preference you maintain better relations.

2479. *Q.* Don't you think that if a direct contribution is given, then it will put the people of this country in a position to say "We enable you to maintain the Navy" and give them some self-respect?

A. I have not thought over this subject and I cannot give you an answer.

2480. *Q.* On the whole don't you think that instead of giving what is called an indirect benefit, which would not be appreciated by the receiving country and which would not be felt by the country which gives,—if the political integrity has to be maintained, it would be fairer to ask for a direct contribution?

A. I think the preference by tariff would be much appreciated and it will lead to better relations than payments of lump sums of money, which is an open transaction.

2481. *Q.* But preference would have this result: this country would think that it has been mulcted?

A. But you expect preference from the other side too.

2482. *Q.* Don't you know that the largest imports from this country are from the United Kingdom,—about 63 per cent.—and the result of preference will be that we will be losing duty to that extent? It would be disadvantage; there would be no corresponding advantage.

A. But looking at it from the Imperial point of view.

2483. *Q.* I am looking at it for the present from the business point of view. I told you that about 63 per cent. of our imports come from the United Kingdom, and we will be losing the duty to that extent. What will be the corresponding advantage? It would also result in retaliation by the countries to which preference is not given.

A. All the points will have to be considered.

2484. *Q.* You have not considered all these points?

A. It is very hard to consider all these points. It will have to be considered by the organisation which I suggest. All these points,—the danger of retaliation, the advantage gained by the country and the sacrifices to be made by the country—all these have to be considered.

2485. *Q.* So at present, with the materials before you you are not in a position to admit that preference will be beneficial to India?

A. I think a reasonable, limited preference would be an advantage to India.

2486. *Q.* I have given you the factors working against India.

A. In these days of great powers it is a question of combination and strength, and the question is whether you are going to combine with Great Britain or not.

2487. *Q.* That is the political aspect. Considered from the political aspect it would be for the combined good. If that is so, would it not be better to ask for a direct contribution to maintain the political hegemony?

A. I have said it is too difficult a question for me to answer.

2488. *Q.* There is only one more question. Supposing there is preference between the United Kingdom and India, do you think that the same conditions of preference should apply to countries which do not treat our subjects in the same way that the United Kingdom treats us? For example take South Africa. Would you extend preference to South Africa?

A. I do not think by retaliating anything is gained for India. I think in a very short time South Africa would treat India in the same way as she treats other countries. If you start retaliation you do not know where it will end.

2489. *Q.* At present you know very well that we are being very badly treated?

A. I quite agree with you, but I think it would not improve matters to take up severe retaliation due to the change of attitude of South Africa.

2490. *Q.* As a matter of fact, I want you to remember that there is little preference between India and South Africa. Is it right under those circumstances that we should advocate that there should be Imperial Preference between this country and South Africa?

A. Commercially we are now going to gain much. Personally I would advocate it. I think the result would be better in the end.

2491. *Q. Mr. Birla*—Am I to understand that you want Imperial Preference even if it means a loss to India?

A. Yes.

2492. *Q.* You want it for political purposes, and you think that commercially it will be a loss to India?

A. It may be a loss to start with. I do not think it will be a loss in the long run.

2493. *Q.* Will you explain how in the long run it would not be a loss?

A. The industries of this country will develop. It is rather difficult to say. My impression is that it would be an advantage.

2494. *Q.* Suppose we export jute free of duty to the United Kingdom and impose a duty of 30 per cent. on jute to the United States of America, what will be the effect? Shall we gain or lose or will the United Kingdom gain or lose?

A. United Kingdom, I suppose, will gain.

2495. *Q.* What about India?

A. Of course there would never be such a tremendous difference. From what I understand by a preferential tariff, I do not think we would charge 30 per cent. *ad valorem* duty to America and charge nothing to Great Britain.

2496. *Q.* Suppose we give 10 per cent. preference to the United Kingdom, what will be the effect?

A. The effect would be to help a person who is ready to help you.

2497. *Q.* At a loss to India?

A. There would be other advantages.

2498. *Q.* India has to suffer for the Empire for the political purpose?

A. I do not think it is for political purposes. There are many other purposes as well. There is some object in belonging to a great community.

2499. *Q.* You cannot give an example as to how India will gain in the long run ; on the other hand I have given you illustrations to show that India will not gain but will lose.

A. You have given a concrete case. But I think that India would gain a lot by retaining real and genuine good feeling with the rest of the Empire. They would take more interest in the country and probably put more capital in the country.

2500. *Q.* After all what you say is based on sentiment. What I say is based on facts.

A. I do not think that my replies are based on sentiment.

2501. *Q.* If we give a 10 per cent. preference or 20 per cent. preference on jute to the United Kingdom, while at present we are exporting jute from India to the United States of America direct, they will stop their purchases in India and begin to make their purchases in the United Kingdom and in this way they will have to pay double commissions, so that it is a monetary loss ?

A. That would be part of the duty of the organisation to prevent it. It would not be designed for that purpose at all.

2502. *Mr. Mant*—*Q.* Are you in favour of export duties?

A. I purposely did not answer that question.

2503. *Q.* It has been brought out that advocacy of Imperial Preference includes the imposition of export duties. I want to know whether it is really what you recommend when you refer to preference. In referring to the commercial loss to India, you mean that she would forego more in the way of import duties. I presume there is some gain on the other side ?

A. Yes ; we presume that the other members of the Empire would give preferential rates for exports from India.

2504. *Q.* Otherwise we should not enter into the arrangement at all. Then when we talk about the loss, you mean the balance of loss ?

A. There may be loss, but I do not know if there would be. I think it all depends on what the various countries do.

2505. *Q.* Is not the position rather this, that in order to get a fair balance, you have got really to have Protection on both sides and unless England really imposes higher duties on what she imports from abroad, we cannot get the balance even ?

A. I think we could balance matters in other ways.

2506. *Q.* But I was speaking of the commercial balance. England is a free trade country and she cannot gain much by preference to us ?

A. There would be that difficulty, if it remains a free trade country.

2507. *Q.* Also, when we have immense raw materials, in our own interests we cannot afford to impose a tax on raw materials ?

A. Yes.

2508. *Q.* That is really where the commercial loss comes in ?

A. Yes, there would be difficulty.

2509. *Q.* You were saying that in your opinion industries would develop in India. You mean that in course of time industries would develop and India would export manufactured articles ?

A. I think it is very probable.

2510. *Q.* The loss will be made up in that way ?

A. Yes.

2511. *Q.* In your answer to Question 13, you say "I consider that new industries, which could be classed as key industries, should be protected ; the principle on which such industries would be selected is that they are articles essential for modern war purposes." I understood you to say that there is another meaning to the words "key industry," *i.e.*, for industries apart from war purposes.

A. Yes, certain industries depend on something for their success, and that I mean is a key industry. There are industries which are key industries, for instance, among the chemical industries we can take Sodium Carbonate.

2512. *Q.* I do not want to go into details as regards the key industries which are necessary for war purposes. You would protect them ?

A. Generally, but there may be an exception or two. We do not want any protection for iron and steel, because they would protect themselves.

2513. *Q.* In some cases you would only do it if you need Protection, if they could not stand on their own legs ?

A. Yes.

2514. *Q.* Can you tell us what are the key industries ?

A. Manufacture of glass is an industry which requires Protection. It had a great boom during the war. Various firms in the Punjab and in other parts of India manufactured glass. Since the termination of the war the success has been extremely bad. They are all waning.

2515. *Q.* Was that started as an industry for the prosecution of the war ?

A. It was a matter of necessity as imported manufactured glass was not obtainable. There are certain chemicals on which they depend, for paper manufacture, glass manufacture, soap manufacture, which could be called key industries. Leather import into this country is very large. I think they ought to be protected.

2516. *Q.* If you protect these key industries on the basis of other industries, you put up the price of the product proportionately ?

A. Yes, until it establishes itself.

2517. *Q.* Chemical product is a raw material of another industry and that is why you cannot protect it ?

A. Yes.

2518. *Q.* The effect of Protection is really to increase the price ?

A. Yes, for the time being, until it is established.

2519. *Q.* At the beginning when we protect a key industry it means that the cost becomes higher ?

A. Yes.

2520. *Q.* Do you say that when once the price has increased, it will come down again ?

A. Yes, because they are not manufactured to the extent they are imported.

2521. *Q.* The main effect of a protective duty is to raise the price of the article manufactured nearly to the level of the price of the imported article ?

A. When an industry is fairly established the duty might be removed.

2522. *Q.* The price will come down only when you remove the duty ?

A. Yes.

2523. *Q.* Do you think it will really be practicable to remove the duty ?

A. I think so.

2524. *Q.* You have mentioned it as a drastic remedy for combination ?

A. Yes. When these duties are put on, the object is to encourage the industries and establish them.

2525 *Q.* We know of countries such as the United States and Germany which proceeded on those lines of putting on a duty to encourage the industry. But can you tell us of any case in which the duty was taken off after the industry was established ?

A. I cannot.

2526. *Q.* Don't you think that there would be political pressure brought to bear in India to keep on the duty ?

A. I do not know.

2527. *Q.* I am trying to find out how the circumstances would be different here, and whether we would not have exactly the same position here. If we recommend Protection, we have to do it with our eyes open. If that would be the probable result, we have to face it ? Is it really a feasible policy to contemplate ?

A. The import duties of other countries have been exactly the same as once fixed. Unfortunately, I have not looked up the subject.

2528. *Q.* In your first answer you said that you favour the imposition of protective duties on such manufactured articles as it is possible at the present time to manufacture in India and you afterwards go on to articles which it may be possible to manufacture. I do not quite understand the difference between the two ?

A. If you suddenly put a duty on articles which may possibly be manufactured in this country, it would be a great hardship. The country cannot supply the articles and people who require the article would simply have to pay more.

2529. *Q.* The first class refers to articles which can be manufactured in the country without doubt, and in the other class it is only probable that they can be manufactured, but it is not certain ?

A. Yes.

2530. *Q.* You would really begin with the things that are already manufactured ?

A. Yes.

2531. *Q.* If they are already manufactured, you would protect them ?

A. Yes, to a certain extent, because they are backward and not up to the standard. For instance, the glass industry at present has depreciated. There is no good glass made in the country. There is not a single pane made in the

whole of India. I mean window panes. Quite recently they are making soda water bottles.

2532. *Q.* What is the duty on glass ?

A. I do not know. I do not think there is much. Glass is an article which protects itself to a very large extent; still it wants more Protection.

2533. *Q.* Can you give us the figure for the imports of glass ?

A. It is very difficult to find out what the imports are and what are locally manufactured.

2534. *Q.* The local manufactories could produce good glass if they were protected ?

A. They could.

2535. *Mr. Jamnadas Dwarkadas.*—*Q.* In answer to Question No. 11, you say " I would favour the imposition of protective duties only on such manufactured articles as it is possible at the present time to manufacture in India." Mr. Mant asked you what difference there was between those articles which are at present manufactured in India and articles which are considered key industries. They are two different things ?

A. Quite separate.

2536. *Q.* That presupposes in your opinion that there are many articles which if properly protected are likely to be manufactured in India ?

A. Yes.

2537. *Q.* You would in this class include probably chemicals and soap ?

A. Yes.

2538. *Q.* Mr. Mant asked you whether in that case there would not be a tendency to raise the price of the manufactured article in India ?

A. In the first instance there would be.

2539. *Q.* Would it not be there in all instances ?

A. I do not think so. I do not think it would be the case in the long run.

2540. *Q.* Take for instance myrobalans from which tannic acid is manufactured. At present myrobalans are exported in very large quantities at a very negligible price to foreign countries and tannic acid is imported into India. The price paid for tannic acid is 50 or 60 times the price of the raw material. Do you think if it was possible to manufacture tannic acid here, the consumer would have to pay that price under any circumstances ?

A. I think not.

2541. *Q.* So there are instances where the price would not go up at all if the article were manufactured in India ?

A. There is always the tendency to sell goods at the best possible price, whatever may be the manufacture.

2542. *Q.* On the contrary don't you think that the effect will be that the price of the imported article will go down ?

A. Yes, it probably would, if the article is manufactured here.

2543. *Q.* You accepted the President's definition of Imperial Preference. Leaving aside the political or other advantages that might accrue to the Empire, the question with which we are concerned is whether by a policy of Imperial Preference we are going to get economic advantages, whether the economic condition which will accrue will be mutual ?

A. Yes.

2544. *Q.* You exclude populations, as suggested by the President, and you merely take commodities. Do you think that purely the economic condition of India will be better ?

A. It is very difficult to consider the immediate economic condition. Another point is what you mean by economic condition. Economic condition covers a very big area. I think it is very difficult to say.

2545. *Sir Maneckjee Dadabhoy.*—*Q.* In answer to Sir Montagu Webb, who drew your attention to your remark about your desire to see India self-contained, you instanced the case of America which is largely an importing as well as an exporting country. Am I to understand from the remark that you made that you wanted to see India self-contained so far as India's own internal resources permitted her doing so ?

A. Yes.

2546. *Q.* Mr. Mant drew your attention to the political pressure exercised for maintaining protective duties once such a duty was imposed. Assuming that there was a danger of political pressure being exercised, if those protective duties were good for the benefit of the country, you would have no objection even to the exercise of that pressure ?

A. I think I would. I do not think political pressure can be considered good for the whole nation. It may be good for small communities.

2547. *Q.* Several communities of India make up a nation and what is good for the community is for the good of the whole ?

A. Yes.

2548. *Q.* You say that glass is an article which protects itself ?

A. Very largely.

2549. *Q.* I would like to have an explanation ?

A. Because it is fragile.

2550. *Q.* You do not mean to say that you would protect the glass industry of the country ?

A. I would protect it.

2551. *Q.* You said you would like to see some encouragement given to the cotton, woollen and silk industries. What sort of encouragement do you mean ?

A. The encouragement is to teach the people improved methods.

2552. *Q.* Anything else ? You would not give any indirect pecuniary assistance in any shape or kind ?

A. I do not think so.

2553. *Q.* I see that throughout your answers you are in favour of Protection and therefore I cannot reconcile your answers with your position in your answer to Question No. 17 where you say, " The only protection to the people and to the development of industries in such cases would be to abolish protective import duties on the articles concerned."

A. That is in answer to the question about combinations. If people are taking undue advantage of Protection, abolish that Protection.

2554. *Q.* Please refer to your answer to Question No. 23. You say that motor cars and vans are a necessity. Do you consider them as necessaries of life ?

A. Well, it is a question of what you think is a necessity.

2555 *Q.* It may be necessary for business people, but it won't come within the definition of necessaries of life.

A. I think I have stated " taking life in its largest sense " and not in its modified sense.

2556. *Q.* You say they should come within the definition of necessaries of life. It is rather a big one.

A. I say " taking life in its largest sense, certain articles may now be considered necessaries which were not so in the last generation." To expeditiously and efficiently carry on the work, to the business man and industrialist, motor cars and vans are a necessity.

2557. *Q.* Would you include biscuits as an industry which can be started in the country ?

A. Yes, Sir.

Witness No. 17.

Mr. H. CALVERT, I.C.S., Registrar, Co-operative Societies, Punjab.

Written statement dated Lahore, the 21st November 1921.

2558. Before proceeding to offer my opinion on the special points raised in the questionnaire, I should like to make it clear that my replies refer to the Punjab. I have made a special study of rural conditions in the province, but I know little of other parts of India, and I regard the issues raised from the point of view of the prosperity of my own province. The opinions given represent what I consider to be best for the economic development of the Punjab, they should not be taken as referring to Bombay, Calcutta or other places of which my knowledge is slight. The geographical position of the Punjab is peculiar; it is land-locked; it is what may be described as a Peninsula of dense population thrust out into a sea of sparse population. North and West are countries with which extensive trade is impossible, they are undeveloped, almost desert and extremely poor. South is the desert of Bikanir and

Sindh, with again undeveloped resources and a poor people. The distance to the sea—1250 miles to Bombay and 750 miles to Karachi—imposes restrictions on both imports and exports. These peculiarities must not only be taken into consideration in any discussion of tariffs, they must dominate that discussion as far as the Punjab is concerned. It seems to me that there must be some conflict of opinion between this province and maritime provinces such as Bengal and Bombay; what may be advantageous to them may be detrimental to the Punjab. If this Province is ever to have, for instance, cloth mills, it will be more important for it to secure Protection against Bombay than against Lancashire.

There is another point of great importance; there does not appear to be any immediate chance of large scale industries being started here. There is a certain amount of capital, but it is not possible to say how much is at present unemployed. Whatever there may be will be drawn upon for the big new canal schemes: the Sutlej project, the Bhakra Hydro-electric project and the Sindh-Sagar canal. These schemes promise to bring more wealth into the province than any industries at present contemplated; they should also create a demand for local industries and ultimately provide the capital required for them. It must be remembered that, in this province at any rate, the average area per cultivator is increasing, and will increase further with the extension of irrigation; along with this there has gone an increase in the average yield per acre, for the area left to the caprice of the rainfall has remained fairly stationary, while that irrigated has expanded, and as the latter yields more than the former, the general average outturn has gone up. Thus, the prospects for agriculture are bright. There will be an increasing demand for cultivators, and there will be absent that increasing pressure on the soil that drives people into the towns. Further, it must be remembered that there is no surplus unemployed labour in this province; already much of the unskilled labour is imported from outside. There is a great deal of labour that is not fully employed all the year round but this will hardly be available for factories. For big industries, there will be required big capitals; this province has some wealthy men, but not on the scale of Bombay or Calcutta, so that some combination of capitals will be necessary; joint stock enterprise is almost non-existent; there are no signs of a healthy revival or of healthy growth. There is capital looking for investment, but it is shy; there is a surplus of educated young men, but little is known of their ability to satisfy the practical requirements of industrial employment. The Punjab must always have been predominantly agricultural, and opportunities for acquiring training in industries have been few. Thus industries will develop slowly at first, and accordingly problems of tariff policy will affect the people rather as consumers than as industrialists. The mass of the people, if well advised, should vote for free trade, at least until they can receive some compensation for higher prices under a protective policy. The industrial future appears to depend upon two sources of cheap power: the Attock oil-field and the Bhakra Hydro-electric project. It is not impossible that their development may lead to a complete alteration of our view of this province as predominantly agricultural.

2558*a*. *Q*. 1. For the Punjab at present, a policy of free trade is best calculated to promote its prosperity. It already has to pay charges of transport from port to consumer, or from producer to port, and these serve as import and export duties. These charges have recently increased, so that there is the greater burden upon the Punjab people.

Moreover, it is doubtful whether the people are not too poor to be able to afford Protection. The whole object of Protection is to increase to the consumer the price of imported goods, and to enable home-produced goods to command a higher price than they otherwise would do, and it is very doubtful indeed whether we can afford to force up prices against the people.

I would favour a general policy of free trade. Certainly there is no object in imposing Protection until we have something to protect. I have no objection to the imposition of custom duties for the purpose of revenue, provided, of course, that the duties are not excessively high, or so high as to cause an appreciable rise in the cost of living. But there will always be the risk of the duties being manipulated by interested traders or manufacturers into a protective tariff.

2559. *Q*. 2. In view of the imperative necessity of educating the people in the essentials of government, I consider a tariff less suitable than direct taxation. I admit that a tariff possesses practical advantages in that it attracts less attention and excites less opposition, but these features serve to divert the mind of the people from the fact that self-taxation is the first principle of self-government.

If fresh taxation were necessary, I would favour direct taxation.

2560. *Q*. 3. No opinion offered.

2561. *Q*. 4. I consider that the tariff should in general continue to be based on existing principle. But see answer to Question No. 26.

Also it seems that the present tariff takes too much from those living in the European style.

The main problem in India is the poverty of the people; this poverty is much misunderstood both in its extent and in its relative intensity when compared with conditions in European countries and in Japan; still the fact remains that the average earnings are very low, and many of the people enjoy few amenities beyond the bare necessities. The present tariff does not press hardly on the mass of the people; for these, cheapness is important, and the tariff does not add appreciably to the cost of living for them.

The Punjab is not well situated for large scale industries where coal is needed or wherein iron is used; it is not likely to have a large export trade in manufactured articles; it may in time manufacture for its own consumption, but even this will depend upon some source of cheap power being developed. Thus the present tariff favours our peculiar conditions, while a protective tariff would penalise us to benefit Bengal or Bombay.

There may be a future for chemical industries in this province, but if these are based, as they should be, upon some local advantage, they will not need Protection.

As has already been pointed out, there is little need of Protection, when there is nothing to protect; the scope for industries may be great but considerable time must elapse before these can grow up, as several of the factors essential to success are lacking.

There appear to be some industries which might prove profitable but which require articles from outside the province. It would be desirable that these should be cheap, and therefore not subject to duty. For instance, a fruit preserving industry would require tins and sugar; both would have to be imported and should therefore be imported free. Similarly an oil crushing and refining industry which would deal with the oil seeds now exported, and extract the oil and keep the cake as manure, would require receptacles for the oil. I understand that the local woods are not suitable for barrels, so that these latter would have to be imported, perhaps from abroad. Where this province needed anything subsidiary to an industry, which thing had to be imported, the province would suffer twice over from the long transport to the sea. If these articles were protected in the interests of Indian manufacture, it is possible that this would seriously affect the prospects of Punjab industries.

At present the province has nothing to gain and everything to lose by an alteration in the customs.

2562. *Q*. 5. I do not subscribe to the popular idea that Indian industries have perished in consequence of a defective tariff policy. So far as the Punjab is concerned, we know that there were no considerable industries prior to annexation (1848), so that British policy could not have had much effect. Tariff policy can hardly have exerted as much influence as the spread of railways both in and outside India, and the development of the tramp steamer into a cheap and efficient cargo carrier; to attempt to stem the effects of these factors would be to deprive India of the benefits of modern inventions. There does not seem to be any positive evidence that would show that the quantity of cloth now woven by hand workers is less than it was before 1848; the number of weavers, as shown in successive censuses, has not increased much, but the consumption of cloth has increased greatly owing to the marked rise in the prosperity of the people. New patterns have been placed before them and they have bought them. It is appreciation of the cloth that has induced them to buy, quite as much as if not more than its price.

Using the words with the meaning I should attach to them in Lancashire, India could never have had any big industries. She has cottage industries, and these cottage industries, like similar industries elsewhere, have given way before mechanical inventions. It is inventions and not tariffs that have affected the old industries. In the future it will be the presence of the elements essential to successful industries that will determine progress more than tariffs. It is a much debated question whether tariffs have brought real and lasting benefit to industries; it seems to be certain, however, that the presence or absence of a tariff will not influence the attempt to start unsuitable

industries ; nor will it prevent the success of a new industry for which local conditions are especially suitable.

The effect of a continuance of the present tariff policy would tend to be the selection of the most suitable industries by those with capital ; naturally if the price of the manufactured articles were kept artificially high, all sorts of unsuitable schemes would be started, and much capital would be wasted.

2563. *Q.* 6. If a duty is imposed upon an article imported from abroad, I do not approve of a corresponding excise duty. I do not hold that " no Protection of any kind should be afforded to the home manufacturer "; local industries may be protected by various factors, of which the need for revenue is only one. A mere revenue duty should be so small (say, 5 per cent.) that it can hardly be called protective. In the Punjab transport charges may amount to more than this. (This answers Question No. 7 also.)

2564. *Q.* 8. This question is loosely worded. Naturally an excise duty, if small, may be paid out of profits ; or it may be met by improved machinery of greater efficiency, or by some invention that will reduce the cost of manufacture. It may even stimulate the manufacturer to adopt new methods or to instal modern machinery or to effect some economy. An excise duty without a corresponding import duty would not necessarily involve raising the price to the consumer, so that such a duty alone may be met by economies in production.

2565. *Q.* 9. I do not consider that a tariff should be framed primarily with a view to fostering industries. It is generally agreed that a tariff is a clumsy and unsatisfactory method of achieving this object, that it is not by any means a certain method and that it almost inevitably leads to meddling with business, to waste and to corruption, it discourages enterprise and serves to retard progress. Further a tariff imposes a burden upon the whole consuming community in order to benefit a manufacturing or capitalist minority. In this province. the vast mass of the people would suffer, and it is not even certain that any considerable number would benefit. Were it satisfactorily proved that there are industries that cannot make headway solely owing to foreign competition, or that as a result of a protective tariff industries would spring up, there might be room for discussion on this subject. But it is far from being clear that the absence of industries is due to competition ; there is still in this province practically no industrial class possessed of the mental equipment necessary for success in industrial enterprise. It is, of course, possible to imitate existing industries such as the weaving of cloth, but unless such industries were protected from competition of the Bombay mills, as well as from Japanese and Lancashire mills, there would be little advantage from a protective tariff.

The Punjab suffers several disadvantages which will serve to prevent the establishment of imitative industries ; *e.g.*, lack of coal, of cheap transport by sea, etc.

The chief hope for industrial development lies in the discovery of some new industries for which the province possesses special facilities, or of the discovery of a method of utilisation of cheap water power, or of some similar local source of wealth. If an industry is dependent upon coal, the advantage will rest with Bengal which possesses mines or with Bombay which can get its coal by sea. At present the best prospects seem to rest with industries dependent upon chemical processes, such as tanning, turpentine, etc ; but the whole situation promises to be completely revolutionised by the Bhakra Hydro-electric scheme.

For the present the proposal to start a protective tariff is merely another aspect of the popular " Loot the cultivator " policy.

There is point in the views of Professor Radhakamal Mukerji (pp. 342-3 of his book) that :—" The industries of the country, says every journalist and every public man of the country, are young, and managed and organised as they are by men, necessarily as yet of lower business experience and ability than those of the West, need a definite support from the Indian Government by means of import duties and bounties..... It is, however, a striking limitation of the new industrial spirit which has been awakened in India that there is no clear public opinion with regard to the nature of the industries which ought to be started in the country and protected by Government. Every new factory established is hailed by people of all shades of opinion, if it tends to supply needs hitherto supplied by the manufacturing industries of Europe, no matter whether it competes with the indigenous cottage industries of the country or not." There is a similar consideration underlying Mr. Gokhale's dictum that " It is my deliberate conviction that, in our present circumstances, a policy of free trade, reasonably applied, is, after all, the safest policy for us."

The point I wish to make is that in a vast country like India, a mere predilection for Protection or free trade counts for nothing without a detailed examination of the application of the policy. It may be anticipated that if a factory for making machinery used in weaving were established near Messrs. Tata's Steel Works and applied for a prohibitive tariff against the import of foreign machinery, such application would be resisted by the Bombay mill-owners ; and so on. Until the lines along which industrial development of the country is likely to progress are more clearly defined, it will be impracticable to frame a tariff that would not be as fruitful of harm as of good.

Re : Protection for industries, it must be noted that my opinion is based upon the assumption that the tariff will be an Imperial and not a provincial tariff. Were it a question of protecting the Punjab against Bombay, etc., I think there would be some strong arguments in favour of tariffs designed to encourage industries in this province. But it seems to me that when once the raw cotton or the hides, etc., have left the province, it is of no importance to the people of the Punjab whether they have gone to Bombay, Cawnpore, Japan or England. Their prosperity will then be dependent upon securing the highest price which competition will enable them to get. It would be otherwise if the material were retained within the province to satisfy the requirements of new industries established here. If considerable industries could be founded in the province the cultivators might suffer some loss in price through Protection, etc., and trust to getting higher prices for other produce. For instance, they might get less for cotton, hides, oil seeds, etc., but more for wheat, other foodstuffs and vegetables. It is far from clear whether in the end they would be the gainers ; it is perfectly clear that under an Imperial tariff they would be losers.

There is another very important point that deserves close consideration, and that is that for most of the industries which an agricultural province offers scope for, there is no need for Protection. I noticed the other day an article on industries in Serbia, in which the value of Protection was assumed, but the industries benefited were slaughter-houses, curing factories, lard and bacon factories, tanneries, sugar, macaroni, pottery, tobacco and breweries. None of these would appeal to the capitalists of the Punjab. The industries for which there is the greatest scope are those based upon agricultural production, and for these little or no Protection is needed. For large factory industries there appear to be few facilities, so that their success would remain doubtful even under a high tariff.

2566. *Q.* 10. The suggestion that India will become in time independent of other countries in regard to all her requirements of manufactured goods, can only be put forward by people almost completely ignorant of the conditions under which a country can achieve prosperity. Prior to the middle of the last century, Japan was, as a matter of policy, completely independent of other countries for all manufactured goods. The result was a miserable poverty from which it is doubtful if she will be able to escape for many generations. The idea is comparable to that underlying the old self-sufficing agriculture, from which this province is being rescued with such marked success. Every country as was pointed out some centuries ago, possesses special advantages in the production of some articles ; a country can only attain its maximum prosperity by concentrating upon the production of those articles, and by purchasing those for the production of which it is less well adapted than another country.

The Punjab does not appear to possess any mineral wealth which could be exploited to meet all its requirements ; it will always import iron and steel machinery, etc.

It is unnecessary to add that the idea of India becoming self-supporting in the matter of manufactured goods entails as a necessary corollary the disappearance of her export trade, as well as of imports. If India is not going to import manufactured goods, she will not be able to export any surplus produce. The country would be thrown back to the state of the Punjab before 1848, or of Central India before railways provided chief transport. The result would be an appalling famine whenever the monsoon failed.

It is well to remember that one of the principal causes of the great increase of wealth in the United Kingdom was the development of international trade. The proposal here discussed would shut India out from any chance of securing similar benefits.

2567. *Q.* 11. Disposed of by answer to Question No. 9.

2568. *Q.* 12. Disposed of by answer to Question No. 9.

2569. *Q.* 13. I do not consider it desirable to establish new industries by Protection. Protection means corruption, and unending political plotting. The suggestion to tax over 300 million people in order to afford assistance to some capitalist to start an industry has only to be stated in bald terms to ensure exposure of its real nature. "Loot the cultivator in order to benefit a few townsmen." If industries are to be assisted, as is, I understand, now agreed, there are more effective direct methods than this clumsy blind one of a protective tariff. So far as this province is concerned, the proposal involves taxation for all, with probably all the benefit going to another province. A protective duty of 30 or 40 per cent. for instance, upon cloth would send up the price for all, while probably no one in the Punjab would derive any benefit. It would take many years to manufacture in India all the cloth now consumed, and during that period, while the manufacturers were getting new mills ready, the province would have to buy imported cloth as before. Presumably the proceeds of the duty would go to Imperial Revenues and would be devoted to some useful purpose; if instead, we propose to levy the same taxation with a view to promoting this useful purpose, and support the proposal with the argument that industries would be encouraged, there would be great outcry against over-taxation of an impoverished people. The difficulties of the protective idea are illustrated by the fact that it is supported by the same people who advocate reduction of taxation and vastly increased expenditure. It is very far from clear that even a high protective tariff would lead to the establishment of new industries; take, for instance, the case of glass; the costs and expenses of transport from Belgium are so heavy that they amount to a high protection to local enterprise, yet glass manufacture has made little headway in the Punjab. Similarly, local milk producers enjoy an almost absolute monopoly of the market, yet there is practically no sign of any attempt to start modern dairying. The spread of suitable education, the provision of scientific research, and of facilities for the acquisition of technical skill, the encouragement of the study of problems of marketing, etc., are all necessary to industrial development, and are less likely to breed corruption and waste than a tariff. The resources of the provinces are so widely different that it would be almost impossible to frame a suitable protective tariff, or, at any rate, a tariff suitable to all. The example of America or of Germany must not be strained. In America there were trained skill, experienced industrialists, and the caution acquired by prolonged acquaintance with practical difficulties to play their part and take advantage of the protective tariff, yet it is far from true to say that the aims of the protectionists have been fulfilled. In Germany, there was an amount of governmental interference which, though often advocated for this country, would hardly be tolerated by a people so unused to discipline. In Japan, the bureaucratic control has been carried to extremes, and it is open to doubt whether the leaders of the people here would accept such compulsion even from a Government manned by Indians. In this province, the Companies Act, which is designed expressly to facilitate the formation of joint stock companies, is regarded as a repressive measure.

There is much point in Professor Kale's remark that "Our industries are confronted with foreign competition which owing to our lack of capital, enterprise, knowledge and other essentials is bound to tell upon the success of Swadeshi concerns with patriotic enthusiasm alone to back them."

Mere Protection alone will not guarantee successful industries.

2570. *Q.* 14. The suggestion that an industry should be protected permanently is a confession that it should never have been started or that those in control are incompetent. A permanent protective duty is just a tax on the people in the interests of a favoured few.

A protective duty should not remain for more than 20 or 30 years and should be withdrawn by stages.

There can be no doubt that with sufficient protection many industries could be started, but what the industrialists gained the consumer would lose, so that the country would not derive any benefit at all; while it would naturally suffer from the incompetence of the industrialists.

2571. *Q.* 15. Assuming that the same class of the goods imported were manufactured in India I would favour protection against dumping, bounties, etc. But if the local outturn were insufficient for local consumption, so that only a portion of the consumption were favoured by bounties, etc., the case would require very careful consideration. It is extremely doubtful whether any country could or would supply the needs of a vast country like India by bounties, etc. The cost would be prohibitive if the Indian manufacturers were at all efficient.

It is very doubtful whether bounties have ever had the effect which they were designed to have. Cheapness is not the only element in marketing. If the Indian consumption of the article were large, then obviously a well established Indian industry could only be ousted from the home market at enormous expense, and if temporarily ousted the experience and the skill would remain available to restart the industry as soon as the bounty were withdrawn. On the whole, bounties have played such a small part in international trade, that the question is never likely to become one of urgency in India. A far more important matter is the administration of the factory laws; if Japan, for instance, allows girls and women to work for hours which are not permitted in India, this might seriously handicap our mills, but it is difficult to suggest any method of meeting such a problem.

2572. *Q.* 16. My attitude towards hand industries is that the workers should be encouraged to concentrate upon what will enable them to gain the highest returns for their labour. It is not a matter of hand-looms, as being essentially Indian, but on whether we can set up power looms in the villages which would bring a better earning power to the weaver. After all why should the village weaver be kept in poverty merely to satisfy the sentimental wishes of people who themselves show no hesitation in resorting to foreign cloth?

It is, I think, worth while trying to maintain village industries by introducing new methods, by encouraging the use of more capital, by developing the intelligence of the worker and improving his skill, and by attempting to substitute for the low grade material he now produces something in which there is more opportunity for the display of the human element. A single man using a few rupees capital, unaided by brains and intelligent guidance must remain poor. If he can be provided with what he now lacks, he may help in the solution of the problems that appear almost inevitable in the wake of the wages and factory system. Some writers have described in very strong language the conditions amongst the mill-hands in Bombay and in Japan; and it would be helpful if those who advocate more big scale industries would suggest how they reconcile their claim that they do this on patriotic grounds with the conditions as portrayed.

For the retention of village industries, it is essential that their materials should be obtained at the cheapest rate, even if that means imported materials free from any tariff.

It may be taken as certain that a really marked development of factory industries, such as weaving in the Punjab, would inevitably crush out the village handworker, except in corners where means of transport were defective. This is a point apt to be forgotten by those who wish to see both factories and handworkers side by side. I am inclined to think that the weaver has not yet had a fair chance to show what he can do under favourable conditions; the usurer-shopkeeper has overburdened him and forced him into poverty. But even with co-operation and more capital, skill and guidance, he is hardly likely to survive.

2573. *Q.* 17. Protection almost inevitably leads to combination amongst the protected manufacturers to put up prices. In India, the size of the country would be some hindrance, but mere size has not yet proved sufficient in the United States of America, nor has Germany been able to avoid the danger. In India, if it were a question of enhancing profits by greater efficiency of production or by a common understanding to raise prices, I think the latter would probably prove more easy and more popular.

It does not seem possible to suggest any remedy that would prove acceptable. Conditions in India render difficult a strict enforcement of the law; and an Anti-Trust law would be almost impossible to put into effective practice. Recent British experience of the application of the law against profiteering has exemplified the obstacles in the way of legal remedies; and it would be difficult to do more than remove Protection from any industry suspected of forcing up prices by a combination of monopolists. So long as the manufacturers were friends and relations of the educated classes, it would not be easy to organise public opinion against them. Profiteering in salt has aroused far less public reprobation than did the enhancement of the tax by 8 annas a maund.

It is easy to say that Indian public opinion wants Protection without the evils attendant on it; the difficulty is to devise a system that will be proof against such evils. The late Mr. Gokhale was in favour of the "right" kind

of Protection: "the right kind of Protection," he says, "is that under which the growing industries of a country receive the necessary stimulus and encouragement and support they require, but under which care is taken that no influential combinations, prejudicial to the interests of the community, come into existence. The wrong kind of Protection, on the other hand, is that under which powerful influences and combinations and interests receive assistance to the prejudice of the general community, the general tax-payers of the country." Apparently he was unable to indicate how this could be done, for he decided in favour of free trade for the time being.

2574. *Q.* 18. If a high protective tariff is adopted as the policy of the Indian Government, it would only be natural that foreign firms should rejoice at the prospect of finding an outlet for their capital under such favourable circumstances. It is, I think, common ground that British manufacturers have more experience and have acquired more skill than it has yet been possible for Indians to acquire; they, moreover, possess a greater appreciation of the value of discipline and organisation than Indian industrialists outside the bigger centres; they have a great advantage in the opportunities afforded by life in an industrial country of absorbing 'business sense,' that intangible element in training or mental equipment that cannot be obtained from books. They have been brought up in an atmosphere of failure and success, wherein it is no good for the failure to explain why he failed; he failed because he omitted to observe the essentials to success. That is to say, he was not fit to succeed in a world of competition. Men brought up in such an atmosphere acquire a habit of mind that cannot be acquired in any other way. Just as "work or the workhouse" haunts the minds of the British working man, so the fear of the bankruptcy is ever present in the mind of the industrialist. To put it briefly, failure is the fault of the man who failed; excuses may be interesting, they do not excuse.

The British capitalist is getting rather tired of the incessant labour troubles, and would be inclined to welcome a chance of investing his money under a tariff wall. As India has lately been insistent upon her right to go anywhere in the Empire on equal terms, she cannot logically exclude British manufacturers from this country. Efficiency of skilled labour in England may be taken as about three times that of Indian labour, so that if the protection is to be sufficient to exclude British made goods, there should be ample opportunity for profitable investment of British capital under British control with British skill in this country, and this opportunity will hardly pass unnoticed. The Japanese trust to continued labour troubles in England to enable them to hold their own in such a market as China; but that market might prove vulnerable to Indian labour under the skilled guidance of British foremen, aided with the latest and most efficient machinery. It is doubtful whether a Japanese girl is more efficient than an Indian girl in a mill; unless she is, there is a good prospect for Indians.

As for the attitude to be adopted, that depends upon the reasons which move Indians to desire industries. If it is merely to relieve the dependence upon agriculture and withdraw surplus labour from the land, then a mill managed by Englishmen is as good as one managed by Indians. If it is a matter of finding occupation for educated young Indians, then again the presence of a small element of English, say less than one half of one per cent. of all employees, can hardly affect the question. Indian aspiration to become an industrial country will equally be realised whether the control rests with one or the other. If it is a matter of benefits, then it must be remembered that the profits divided amongst the shareholders represent a very small proportion of the total wealth added to the national dividend by manufacturers; also it must be remembered that many industries will pay a dividend of 7 or 8 per cent. which will attract British capital, but which will not attract Indian capital at all. So that the fact that dividends go to England is no indication that the British are excluding Indians from the industrial sphere.

If the desire for industries is to make India self-sufficing, then British capital and British control will accomplish this quicker than local effort.

If the desire for industries is based solely upon a perfectly natural wish to get a better return upon capital than is afforded by Government securities, then this too is more likely to be realised by participation with British firms than by purely Swadeshi effort. But the claim to Protection would sound rather selfish in these circumstances.

2575. *Q.* 19. India is such a large country and conditions vary so widely in different parts of it, that a conflict of interest is inevitable. The Punjab might be able to spin cotton, while it is very doubtful wheher it could weave successfully; but the Bombay weaving mills would strongly object if they were forced to use Punjab yarn by a prohibitive duty on imported material. It would be impossible to adjust these divergent interests satisfactorily; there would be incessant resort to political pressure; there would be unending scheming and plotting; and as a result there would be corruption.

2576. *Q.* 20. When an import duty is imposed the question as to whether any or the whole of it is passed on to the consumer depends upon the extent to which local factories supply the same article, but the essence of a tariff is to enable the less efficient to market an article at a price higher than a more efficient foreigner can market it. Generally, the import duty is paid by the consumer.

2577. *Q.* 21. The rise of price following the imposition of an import duty tends to be permanent. Competition may reduce it, but the fact that foreign competition is eliminated obviously leads to the retention of the higher price. The exception is where the duty is imposed for a short term only, in which case the home manufacturer must bring his prices down within the period.

2578. *Q.* 22. As already explained it is open to question whether the people can afford the higher prices which would result from a high protective tariff. For the majority, it is important to get things cheap. This majority is not likely to benefit from the growth of Indian industries. A tariff would result in a minority securing the sum lost by the consumer. I would not be prepared to advocate an increase of price to the Punjab consumers in order that industries might be developed in other provinces, and this, so it seems, is the crux of the question. It must be remembered that many years of higher prices must elapse before Indian industries could supply the Indian demand.

2579. *Q.* 23. I would not draw a distinction between necessaries of life and other articles for the simple reason that in such a large country, necessaries vary from place to place. People in the Punjab regard wheat as a necessary whereas Bengal or Madras would hold a different opinion. Also the necessaries are for the most part produced in India and not imported. Here the view of necessaries depends very much upon custom and not upon scientific appreciation of what life needs.

2580. *Q.* 24. It is difficult to find good reason to believe that the higher prices due to Protection would be covered by a rise in wages or salary. Money earnings would rise, but not real wages in anything like the same proportion. The question involves almost the whole of the industrial wages problem. For a complete answer a volume would be required.

2581. *Q.* 25. Protection would tend to reduce foreign trade, and to injure the commercial classes, especially those concerned with exports and imports. If India strives to reduce her imports of foreign manufactured goods, she will equally be forcing down her exports. A country which will not buy cannot sell. The above is the general result, but it may be possible to protect some industries without causing any indirect injury; it would, however, never be settled what these industries were. India is so very much an exporter of raw material and an importer of manufactured goods, that it is difficult to conceive of a measure of Protection that would bring a balance of advantage within any reasonable period of years.

2582. *Q.* 26. I think that a tariff could be used as an instrument for bargaining with other countries; whether it would be an efficient or a cheap instrument is another question.

2583. *Q.* 27. No opinion.

2584. *Q.* 28. No opinion.

2585. *Q.* 29. No opinion.

2586. *Q.* 30. An export duty may be justified if the revenue raised is necessary, especially where the country has a monopoly of the article exported. It may be justified to raise funds to be devoted to the development of the industry from which the goods exported result. Otherwise, it is difficult to see how an export duty can be advantageous.

2587. *Q.* 31. Export duties can be imposed when India possesses a monopoly of the article, or where the world demand so far exceeds the supply that a market is assured. If the commodity has to face a competitive market, the loss falls on the producer, and trade suffers. There may be cases where an export duty may be met from the profits of the exporters, but these must be rare, and the duty must be very light.

2588. *Q.* 32. To impose an export duty in order to benefit the manufacturer is sheer robbery. Admittedly there are people who would advocate the retention of wheat, cotton, etc., by this means, but the proposal can only be described as immoral. The producers so greatly outnumber the manufacturers that any such proposal should be denounced at once, as it would cause endless trouble and would ruin the cause of the development of industries in the popular mind. Under such a scheme, the producer would lose twice over; once when he sold his commodities and again when he bought the manufactured article.

In agriculture there are a variety of uses to which the land can be put. The wise farmer grows what will yield him the best profit; if his profits from one crop is artificially reduced he will resort to another. There is a considerable area now under cultivation which does not pay the cultivator a fair return on his labour (owing to causes which need not be entered upon here), there would always be the risk of this being rendered waste if profits were interfered with.

2589. *Q.* 33. The proposal to impose restrictions on the export of foodstuffs with a view to lower prices seems to me to be about as immoral as could be imagined. If there are in the towns any who cannot earn enough to pay for their food, let us have charity, and call it charity, and let it go to those who need charity. The restriction on export of wheat would penalise all producers in order to benefit nonproducers, whether the latter needed charity or not. The richest man would benefit from the loot taken from the smallest producer. If it is necessary to take measures to ensure an adequate supply in case of severe scarcity, this becomes an administrative question, and should be treated as such. But no one would dream of prohibiting the export of cloth from Bombay to up-country districts because there were people in Bombay insufficiently clothed. If the cultivator once understood that the price he got for his wheat was deliberately reduced in the interests of the town, he would retaliate. He need not grow wheat. He need not sell it to the town. Profits from agriculture are not so great that they could bear this extra burden. Land would go out of cultivation, the price of land would fall and there would be loss to the commercial community. I am not arguing against a measure which may be necessitated in time of such acute stress as the present, but against a proposed policy.

An acre of land in the Punjab may be assumed to yield ten maunds of wheat; of this the cultivator may be assumed to sell about one third and to keep the rest for his own needs. If wheat sells at Rs. 6 per maund, the value of three maunds will be Rs. 18. If it is reduced to Rs. 4 per maund by restrictions, the value will be Rs. 12. This represents a loss of about Rs. 6 per acre as compared with a land revenue demand of Re. 1-9-6. Obviously if the cultivator can stand this loss, he can stand a far higher revenue demand, and in consequence a poor rate on his land to meet the case of the necessitous in the towns.

High prices encourage the production of foodstuffs; artificial reduction will discourage production. As the margin of production over the country's needs is by no one regarded as excessive, the proposal is fraught with grave danger.

2590. *Q.* 34. No opinion.

Oral evidence, Lahore, the 6th December 1921.

2591. *President.*—*Q.* Are you Registrar of Co-operative Societies?

A. Yes.

2592. *Q.* I have gone over your evidence and I should like to know whether you have any experience of business or industries?

A. I was born and bred in Lancashire.

2593. *Q.* But have you had anything directly in your career to do with business or industries?

A. We have got a fair amount of purchases and sale in our Co-operative movement, over Rs. 5 lakhs a year turnover.

2594. *Q.* What I was asking you was: Have you been connected with any business firm?

A. Not more than 3 weeks in Liverpool.

2595. *Q.* I find you have given very definite opinions on various matters arising out of business, so I was obliged to ask you this. Beyond an experience of three weeks you have had no direct knowledge or experience of business matters?

A. I have learnt a certain amount of business and commerce in my official career, my work is not that of an office clerk.

2596. *Q.* On the first page of your evidence you say "If this Province is ever to have for instance cloth mills it will be more important for it to secure protection against Bombay than against Lancashire." What do you mean by that?

A. Exactly what I say.

2597. *Q.* How do you discriminate between Bombay mills and Lancashire mills?

A. My point is that if anyone in the Punjab desires to start weaving mills he will be more anxious for Protection against the Bombay mills than against Lancashire.

2598. *Q.* You advocate that?

A. I do not advocate it. I put it down there.

2599. *Q.* You must have some object in putting it down?

A. I am trying to suggest only.

2600. *Q.* That leads us to the position that you should have Protection against individual provinces in India?

A. I have not said so exactly.

2601. *Q.* I wanted to know why you regard Protection against Bombay as more important than against Lancashire?

A. Because the production of mill-made cloth in the Punjab will be more adversely affected by Bombay than by Lancashire.

2602. *Q.* I find that you advocate strict free trade principles. You know I suppose that all civilized countries and the British Dominions have all adopted a policy of Protection?

A. Pardon me—is not England a civilized country? Holland also is free trade and Denmark.

2603. *Q.* You don't dispute that the British Dominions are protectionist?

A. I admit on the whole that most of them are protectionist.

2604. *Q.* You think that free trade is a better policy for India?

A. I have not said for the whole of India—I have said only for the Punjab; I am discussing the Punjab only; I think you have come to the Punjab only for hearing the Punjab point of view; you wish to know what the Punjab view is and I try to give the view which I think best for the Punjab interest.

2605. *Q.* I know that—but you should know that the Fiscal Commission is examining the best fiscal policy for India and when we examine individual provinces we do not want them to deal with their province as not forming part of India. But what we do want to know is how a particular policy: say free trade or Protection for India will affect the Punjab? We do not want to start discussing the fiscal policy of the Punjab. We want to know what would be the Punjab view in regard to the fiscal policy for India?

A. I considered that it would be bad for the Punjab, and what is bad for the part is bad for the whole.

2606. *Q.* In answer to Question No. 9, you begin by saying "I do not consider that a tariff should be framed primarily with a view to fostering industries. It is generally agreed that a tariff is a clumsy and unsatisfactory method of achieving this object, that it is not by any means a certain method and that it almost inevitably leads to meddling with business, to waste and to corruption, it discourages enterprise and serves to retard progress. Further a tariff imposes a burden upon the whole consuming community in order to benefit a manufacturing or capitalist minority." Your view is that Protection by tariffs is wholly mischievous and a bad thing?

A. I have not said so.

2607. *Q.* Have you some other method which you would adopt for this purpose?

A. I avoided discussing anything connected with the development of industries. I thought it was outside the purview of the Commission. I think State aid is the best for the development of industries.

2608. *Q.* Will you mention some of the methods?

A. There is technical education for instance, and scientific research into India's resources. Very careful study is required on many questions connected with India which we are at present quite ignorant of.

2609. *Q.* You don't think that these methods are merely supplementray and that some direct action in the shape of

Protection by means of tariff is necessary if India is to adopt a policy of industrial development?

A. I should think any vague Protection like that would do more harm than good.

2610. *Q.* Could you tell us of any country that has adopted Protection and which has come to any positive harm?

A. Any country, purely agricultural, suffers from such a policy. Germany suffered at one time.

2611. *Q.* Germany has lately adopted a protective policy —why did she do it?

A. It depended on many circumstances. The Central Government of Germany was depending on certain sources of income; those sources failed to meet the demand and consequently for revenue purposes a protective tariff was imposed because the component States refused to pay higher contributions and the Central Government possessed no power of imposing direct taxation.

2612. *Q.* Don't you think that industrial development is economically good for any country? That is what I infer from the illustration of Germany. Industrial development is an object for the good of the community? Germany did not start her tariff for the purposes of development of industries?

A. She did not. She required money and framed a tariff to secure it. The previous tariff protected the agriculturalist and did not favour the industrialist. She popularised the tariff by protecting the work of each section of industrialist.

2613. *Q.* She did not do it to have a policy of industrial development but simply because she wanted to get money?

A. Quite correct.

2614. *Q.* What is your authority?

A. Bismarck advocated indirect taxation in preference to direct taxation. The Imperial Government could not impose direct taxation to meet its requirements; the component States refused to contribute more, so funds had to be raised by tariffs.

2615. *Q.* In answer to a part of Question No. 18, you say "If it is a matter of finding occupation for educated young Indians, then again the presence of a small element of English, say less than one half per cent. of all employees can hardly affect the question. Indian aspiration to become an industrial country will equally be realised whether the control rests with one or the other. If it is a matter of benefits, then it must be remembered that the profits divided amongst the shareholders represent a very small proportion of the total wealth added to the national dividend by manufacturers....." I should like you to explain what you mean by that?

A. The best explanation could be found by looking through any balance sheet of any factory in India. The amount of money distributed as wages far exceeds the sum paid as dividends.

2616. *Q.* I particularly want to know what is meant by ....." total wealth added to the national dividend by manufacturers....."—You think by the development of manufacturing industries national wealth increases?

A. Certainly.

2617. *Q.* Is it desirable for the country to aspire to increasing her national wealth?

A. Certainly.

2618. *Q.* And if for that purpose industries are necessary and could not be established without Protection, could not protection be justified?

A. You beg the question, Sir.

2619. *Q.* Assuming I say for argument's sake that it would be better in the interest of the country to increase the national wealth?

A. I would not commit myself to a hypothetical case without details.

2620. *Q.* You agree that industrial development is desirable in the economic interest of the country?

A. Very desirable.

2621. *Sir Maneckjee Dadabhoy* *Q.* You say in your preliminary remarks that "industries will develop slowly at first, and accordingly problems of tariff policy will affect the people rather as consumers than as industrialists. The mass of the people, if well advised, should vote for free trade, at least until they can receive some compensation for higher prices under a protective policy."—Assuming what you said about your province being agricultural and assuming what you said is all correct, are you of opinion that the Punjab should be treated differently from India as a whole?

A. I have not advocated that.

2622. *Q.* Don't you think that it follows from what you said that the province of Punjab should be left separate?

A. I have not advocated that at all. What I said was that which is bad for the part is bad for the whole.

2623. *Q.* I shall put a converse proposition that what is good for the whole is good for the part?

A. Not necessarily.

2624. *Q.* What is bad for a part is bad for the whole. The natural sequence would be what is good for the whole is good for the part?

A. That need not be so.

2625. *Q.* Assuming what you said to be correct, do you think that the Punjab should be differentiated from the other parts of India which are equally distant from ports, like Rajputana, Central India, and the Central Provinces?

A. I merely put forward the Punjab case to be taken into consideration.

2626. *Q.* Certainly. But you know that the tariff question is an Imperial question. We cannot make it a provincial question. If we go in for tariff recommendations which are of an Imperial character, we cannot make an exception in the case of the Punjab. So whatever policy we adopt, we shall have to adopt it for India as a whole. Do you admit that?

A. Yes.

2627. *Q.* On the basis of your general note I take it that you are in favour of the imposition of protective duties only on such articles as could be manufactured in the Punjab?

A. I do not favour protective duties at all.

2628. *Q.* I know that you are against Protection. But I am assuming on the basis of your general note that if protective duties were imposed on such articles as could be manufactured in this province, you would favour them?

A. I would favour State aid.

2629. *Q.* I am merely pursuing the question which the President asked you about the Punjab coming in competition with the Bombay mill industry. You state that if ever the mill industry is started in the Punjab, it will be more important for it to secure protection against Bombay than against Lancashire?

A. Yes.

2630. *Q.* Do you mean to say that the price of cloth which is manufactured in Bombay and sold in the Punjab is quite different from what it is sold for at Calcutta, Madras and other parts of India?

A. It varies in the Punjab.

2631. *Q.* I quite admit that it varies in different parts of India to a slight extent. But there is no substantial variation. Probably you think that the Bombay mills will simply suck the blood out of the Punjab. I understand that your line of argument is that the Bombay mills are very strong and the mills started in the Punjab will not have any chance whatsoever.

A. My main point is that the Bombay mills mostly supply the Punjab at present. Therefore if a manufacturer set up a big weaving mill here he will have to meet with competition from Bombay, and he will find the Bombay competition to be probably keener in the kind of cloth he is making than the Lancashire competition.

2632. *Q.* You mean that Bombay will under-sell?

A. It will be able, I think.

2633. *Q.* Is that a phenomenon which is peculiar to the mill industry only?

A. I do not think so.

2634. *Q.* Is Bombay under-selling in other places?

A. I do not know.

2635. *Q.* If I tell you that in spite of the strong Bombay and Ahmedabad industries, the Madras mills are making much greater profits than Bombay and Ahmedabad, you won't be surprised?

A. I do not know anything about Madras.

2636. *Q.* I understand that you are apprehensive that enough capital for big industries will not be forthcoming?

A. In the Punjab? Yes. I mean the amount required for this purpose.

2637. *Q.* Mr. Townsend told us yesterday that during the last few years treasure worth 5 crores of rupees per annum has been imported into the Punjab. He says that there is enormous accumulated wealth in the Punjab.

A. I have said there is capital.

2638 *Q.* And that capital is invested?

A. There is capital looking for investment.

2639. *Q.* You told me just now that you are apprehensive of the want of capital for industries. Don't you think that this enormous wealth, treasure deposits, money locked up in unremunerative employment of capital could be available when the industries are started?

A. Yes. It all depends on the meaning of the word "capital." By capital for an industry you may mean thousands of crores.

2640. *Q.* I think you can get, say 40 crores in the Punjab easily. Take the great canal irrigation projects which

will bring enormous wealth into the country. Now these great irrigation canals will require a large amount of capital. Don't you think that if we had industries in the province, they would bring an enormous amount of wealth into the country, and that wealth could be re-invested in these great projects for which the Punjab has been clamouring ?

A. I take it that the canal scheme would bring wealth which could be used in industries. That is the view I take.

2641. *Q.* How will you create the wealth to be invested in these canal schemes ? Do you think that agriculture alone is sufficient to get you the sums required for these great projects ? Don't you think that if a few industries are started and wealth is created by those industries, your agricultural position could be very much ameliorated ?

A. I quite agree with this reasoning. We want industries. I am not disputing that.

2642. *Q.* You will also concede that all this enormous wealth of the Punjab, if not invested in the Punjab, must ultimately go back to the other provinces, and that the Punjab will be the poorer for it ?

A. If it is not invested in the Punjab, it will be poorer.

2643. *Q.* It is not at present ?

A. But it is likely to be ultimately.

2644. *Q.* Not at present. You mean to say that the Punjab is not investing money in the Bombay mills ?

A. It is.

2645. *Q.* So money is going to Bombay. Won't you prefer the money to remain in the Punjab for the development of the Punjab industries in preference to money going to Bombay ?

A. No. It must earn dividends whether the mills are in Bombay or the Punjab.

2646. *Q.* Don't you think that agriculture and industries could both simultaneously and side by side prosper in the Punjab ?

A. Industries are also necessary.

2647. *Q.* You have stated that there is no surplus of un-employed labour in your province. You know that as a matter of fact the Punjab labour is migratory ?

A. Yes.

2648. *Q.* You know that during the war a large number of recruits were obtained from the Punjab, and that as compared with the other provinces, the Punjab was the foremost in supplying labour ?

A. Yes.

2649. *Q.* Don't you think that if this labour obtains employment at home they would stick to the Punjab, and that ultimately it would benefit the Punjab, if this labour remained there ?

A. I have stated there that labour should go where it can get the best return.

2650. *Q.* If you start industries, won't the industries absorb this labour ?

A. Again it is a case of Protection.

2651. *Q.* We have not recommended Protection. We are only gathering information at the present stage. So I should be obliged if you would kindly answer my question. If the country finds its labour migratory and it leaves your province and goes to other parts of India and settles down, is it not the case that Indian agriculture is not able to support them ?

A. No.

2652. *Q.* Will you accept this proposition that if industries were started this labour would remain in the province ?

A. Probably.

2653. *Q.* And would you accept this further proposition that they would get better wages than they are getting from agriculture ?

A. That is a very difficult question for me to answer.

2654. *Q.* Do you know that in industries people draw Rs. 2 and Rs. 2-8-0 a day ? A good weaver earns between Rs. 2 and Rs. 3 a day, as against an agricultural labourer, who, we are told, does not earn at present more than 12 annas a day ?

A. You have to take a broad view, I think. An agricultural worker in the district of Lyallpur earns more than an industrial worker probably in Bombay. You must try to compare like and like.

2655. *Q.* If we put industries here, don't you think they will get these wages ?

A. It is a very difficult question.

2656. *Q.* You state that joint stock enterprise is almost non-existent. Before 1913 in the Punjab you will admit that there was a great tendency for the flotation of companies ?

A. I do not think so. In Bombay it was the case.

2657. *Q.* We are not talking of Bombay. Before 1913 the Punjab was full of joint stock companies ?

A. No. The total was only about 120. I think the maximum in the Punjab was 140.

2658. *Q.* What is it now ?

A. You might take it at 140. I do not think any other country would call that a big number.

2659. *Q.* What was the total capital employed in these 140 companies ?

A. I will give the figures. In 1909-10 there were 136 companies with a paid up capital of 172 lakhs. In 1919-20 there were 79 companies with a paid up capital of 325 lakhs. The largest number of companies was reached in 1911-12 when there were 194 companies in existence.

2660. *Q.* The paid up capital has steadily increased. Is it not a fact that from 1918 to 1920 a larger number of companies were started ?

A. No, sir. Our total number of companies has been steadily declining.

2661. *Q.* Their number is declining, but the capital is increasing ?

A. Yes.

2662. *Q.* That is a better state of affairs ?

A. I think so.

2663. *Q.* You state at the end of your note that there should be healthy rivalry to stimulate healthy growth. Do you think that agriculture alone can complete it ?

A. What I say is this : Under the new schemes which we have got you can produce far more wealth in the province by agriculture than you can by industry. We have our projects worked out for an enormous addition to the wealth of the country through agriculture. We have not got projects worked out for increasing, to anything like the same extent, the wealth of the country through industry.

2664. *Q.* You have been making preparations for years. Your irrigation projects and schemes have been, to my knowledge, before the Government of India for the last 20 years. In the same way, if you collect statistics of other industries that will be of advantage to you to make the Punjab prosperous, you can achieve the same results. Is it not so ?

A. We want industries. But my point is this : we must not let industries blind us to the bigger prizes to be obtained from agriculture.

2665. *Q.* I understand from your answer to Question No. 2 that you recommend direct taxation in preference to tariffs ?

A. Yes.

2666. *Q.* And you just now said in answer to the President's question " You must make the taxes popular." Do you think direct taxes will be popular in India ?

A. No, they will not be popular.

2667. *Q.* Suppose your recommendation was accepted, what direct taxes would you recommend ?

A. I have not considered all the taxes, but I can give you some, for instance property tax.

2668. *Q.* Any other taxes ?

A. Japan has a registration tax, a trade tax, and one other tax I propose is a license for moneylenders.

2669. *Q.* Do you think these taxes will be popular with the Indian people ?

A. No.

2670. *Q.* Would you then recommend a tax which is not popular ?

A. No tax is popular.

2671. *Q.* Would you not then resort to tariff ?

A. No, because direct taxation has an educative value.

2672. *Q.* Would you recommend them even if they are unpopular ?

A. Yes. Even though they are unpopular I would recommend them, because they are educative.

2673. *Q.* You do not think that the introduction of these taxes will be politically dangerous ?

A. I do not think so. Unpopularity does not mean disaffection.

2674. *Q.* Assuming for argument's sake that we recommend these taxes, do you think we can get as much revenue from them as we can get from the tariff ?

A. Yes.

2675. *Q.* Have you worked out the figures ?

A. No.

2676. *Q.* You say in the course of your answer to Question No. 4 " The Punjab is not well situated for large scale industries where coal is needed and wherein iron is used ; it is not likely to have a large export trade in manufactured articles." Is the Punjab in your opinion differently circumstanced from Bombay in this matter ?

A. Yes.

2677. *Q.* In the matter of coal ?

A. Yes.

2678. *Q.* Where does Bombay get its coal from ?

A. By sea.

2679. *Q.* Since when ? Since 1914 Bombay has been getting coal by sea ?

A. No. Since then I understand the coasting ships have been taken away.

2680. *Q.* Is six years not a fairly good period for testing the posibilities of any industry ?

A. No. It is nothing in the life-time of an industry.

2681. *Q.* If Bombay mills have imported coal from Jharia and Raniganj fields, which are about 1,250 miles from Bombay is there any difficulty in importing coal into the Punjab from the Bengal fields, which are at a short distance from the Punjab ?

A. We have actually imported coal from the same coal fields, but it is an enormous tax on Punjab industries.

2682. *Q.* I do not understand your "enormous tax" ?

A. I mean the transport charges, not the cost of the coal.

2683. *Q.* But Bombay pays more ?

A. That was in war time.

2684. *Q.* Bombay gets its coal from Wales and has to pay a much larger amount per ton than you will pay in the Punjab under any circumstances. I cannot understand how coal cannot be obtained here and mills could not be worked.

A. Anybody who studies this question will know that you have industries confined to particular narrow localities, where coal, iron and easy transport are available.

2685. *Q.* In the case of the Punjab you have got all these conveniences. You have got coal at a nearer distance than you can get from in Bombay. You have got iron.

A. Where have we got iron ?

2686. *Q.* Where does Bombay get her iron from ?

A. Bombay has got a sea board. If you have got easy transport you can get your things cheaper.

2687. *Q.* Take the mill industry. How is the Punjab handicapped ?

A. Nowhere in the world have we an industry in a country situated like the Punjab.

2688. *Q.* I am not able yet to follow your arguments for saying that if a mill industry is started in the Punjab it will suffer, but I will take what you have stated. You say "Where this province needed anything subsidiary to an industry, which thing had to be imported, the province would suffer twice over from the long transport to the sea." I ask whether if main industries are started it does not naturally follow that subsidiary industries will be started.

A. They may not have the materials.

2689. *Q.* But they will find the materials ?

A. I instanced the case of the oil crushing industry. Where will you get the wood for the receptacles ?

2690. *Q.* You think you would not get the wood. Have you tried ?

A. I have not. I do not think you can get it.

2691. *Q.* Then speaking about the transport difficulties. You say that the double transport would be a bar. Now take the case of the jute industry. Our jute is sent to Europe and we get the manufactured goods; we pay the transport duty on our jute and we pay another transport for the manufactured jute to come to India, and it is used in baling cotton. Jute is able to bear a double transport. I am giving you only one illustration. Why should not the Punjab in that case be in a position to bear this double transport ? After all it is not an insuperable difficulty.

A. It depends on the proportion which the cost of transport bears to the cost of the article.

2692. *Q.* Can you give me one illustration of an article from the Punjab which suffers by this transport duty ?

A. I have given you the illustration of the fruit preserving industry. We have got a place here called Kulu where you can grow any fruit, but there is no fruit canning industry, because you cannot get the tin and sugar that you require for the industry. You have got to import them from abroad. There is a double transport duty there.

2693. *Q.* You say that the double transport is prohibitive there. But after all you won't call it a key industry ?

A. But this is an instance and it affects the Punjab.

2694. *Q.* Very little. The prosperity of India is not dependent on preserving fruits.

A. It may become an important industry, we hope.

2695. *Q.* What happens in the case of the Punjab cotton ? It is not consumed here ?

A. Very little I gather.

2696. *Q.* Where is it all consumed ? You know it goes to Bombay and you know a large percentage of it goes to Europe and Japan ?

A. Yes.

2697. *Q.* Then am I to understand that you are in favour of the Punjab remaining as far as possible an agricultural country, because of this double transport ?

A. No. I have said three or four times that we must have industries.

2698. *Q.* You say industries should be encouraged, but you do not suggest any method beyond what you have told us,—impartation of knowledge and technical methods. How could the industries be promoted and encouraged ? My own personal knowledge is that technical education and this imparting of scientific knowledge has not contributed to the growth of industries in various parts of the country.

A. But there are most promising industries in this province promoted by scientific knowledge. There is a turpentine factory. That is a matter of scientific knowledge. That is paying about 200 per cent. dividend.

2699. *Q.* I am now talking about the general conditions of the country.

A. We have not been able to make a scientific investigation of the country. With scientific knowledge and investigation we hope to develop many industries.

2700. *Q.* We want to elicit information on the question of tariff, and I would like you kindly to tell me what other encouragement you would give which would promote industries in the country instead of a policy of Protection ?

A. You are treading on ground traversed by the Industrial Commission.

2701. *Q.* What has been the effect of the present tariff policy ? Has it been good for the country or bad for the country ?

A. On the whole it has been quite good.

2702. *Q.* You do not subscribe to the popular idea that the present tariff policy has handicapped the Indian industries to a considerable extent ?

A. I do not.

2703 *Q.* You have stated in the same paragraph that there were no considerable industries prior to annexation (1848) in the Punjab ?

A. There were no considerable industries.

2704 *Q.* Are you aware that in any part of India there were industries before 1848 ?

A. That is a point which popular opinion has not accepted.

2705 *Q.* Regarding Question No. 6, you say "If a duty is imposed upon an article imported from abroad, I do not approve of a corresponding excise duty. I do not hold that no protection of any kind should be offered to the home manufacturer." You imply that some Protection should be given ?

A. If it can be shown to me that a valuable industry can be started in India and maintained in India with the help of a protective policy in 20 or 30 years, I should be quite prepared to give Protection. I am opposed to the general idea of Protection.

2706 *Q.* If the Commission is satisfied that any valuable industry can be started and put on its legs by a policy of Protection, then you have no objection ?

A. If there is a balance of advantage to the country as a whole.

2707 *Q.* Not a balance of advantage to the Punjab alone.

A. No.

2708 *Q.* To the whole of India ?

A. Yes.

2709 *Q.* You will now qualify your previous statements which you made that you would deal with the question from the standpoint of the Punjab alone ?

A. I deal with the question from the point of view of the Punjab alone. You deal with the point of view of India. I am giving evidence as a Punjabee for the Punjab.

2710 *Q.* All the same you said that if the balance of advantage is for the whole of India you would recommend such protective duties ?

A. You put that as your view and I agree with your view. I as a Punjabee would qualify it.

2711. *Q.* Do you retract from your statement ?

A. No.

2712 *Q.* You state in answer to Question No. 9 "it is far from being clear that the absence of industries is due to competition."

A. Yes.

2713 *Q.* Will you admit that the glass industry and the sugar industry have suffered by competition ?

A. It is due to incompetence so far as glass is concerned.

2714 *Q.* It is not by competition with Japan and Austria that the glass industry in this country has suffered ?

A. The protection of glass in India is 500 per cent. The transport charges for glass imported from Belgium to Lahore are about 5 times the price of the goods.

2715 *Q.* You say that they have not suffered by competition?

A. No. From incompetent management. I say sheer incompetence.

2716 *Q.* Those remarks apply to the sugar industry in your opinion?

A. The sugar industry is a peculiar question. I have looked into the question of sugar.

2717 *Q.* Is there not a large export and import trade in America?

A. What do you mean by large? Do you mean that America has a large export and import trade per head of the population?

2718 *Q.* Yes.

A. The trade of America per head of the population is not very large.

2719 *Q.* There is a considerable export and import trade?

A. Yes.

2720 *Q.* Because America is self-contained, has it affected her imports and exports?

A. Very much. It is nothing like the export and import trade of England per head of the population.

2721 *Q.* I am asking you whether America has suffered, whether it has been less prosperous industrially, agriculturally, financially and in any other way than England or any other part of the world?

A. Per head of the population it is less prosperous. America has practically no shipping trade.

2722 *Q.* America has a considerable export and import trade, despite the fact that America is both an agricultural and an industrial country?

A. Yes.

2723 *Q.* You spoke of the railway difficulties, and transport difficulties before 1848. Now you have got enormous railway connections, and you will admit that the Punjab is best served with railways?

A. It has got a fairly good connection, not very good.

2724 *Q.* In your answer to Question No. 13, you say "If industries are to be assisted, as is, I understand, now agreed, there are more effective direct methods than this clumsy blind one of a protective tariff." You call a protective tariff a clumsy method of Protection?

A. Yes.

2725 *Q.* You also state that tariff taxation is disapproved and not liked in this country?

A. Yes. It is not liked so far as I know.

2726 *Q.* Now, this clumsy method would be preferable in this country to any other method?

A. I do not think so.

2727 *Q.* You have not suggested any other method?

A. What is the objection to a property tax?

2728 *Q.*—Property tax would never give you that relief, because the large majority of people in India have only huts to live in. You state that "the difficulties of the protective idea are illustrated by the fact that it is supported by the same people who advocate reduction of taxation and vastly increased expenditure." I presume you refer to direct taxation, because to my knowledge at present there is no general clamour against protective duties. You refer to direct taxation?

A. I would say taxation.

2729 *Q.* What taxation is that? Direct or indirect?

A. I did not divide it into direct and indirect taxation.

2730 *Q.* Where did you get this idea that people advocate vastly increased expenditure?

A. Practically all Indian writers advocate vastly increased expenditure.

2731 *Q.* So far as I know, Indians are all clamouring for reduction in expenditure. I never heard of people asking for more expenditure?

A. Sir M. Viswesvarayya in his book advocates increased expenditure. There are others.

2732 *Q.* Is it a fact that now in India there is any party which is asking for vastly increased expenditure?

A. Practically everyone is asking for it. They want increased education, for instance, free primary education. It means an enormous amount of expenditure.

2733 *Q.* That is not general expenditure. We want other expenditure to be reduced?

A. They want increased expenditure.

2734 *Q.* In your answer to Question No. 14, you say "what the industrialists gained, the country would lose." But would not the general prosperity of the country ultimately reflect in the shape of increased wages and so forth?

A. Not to the extent of the loss of the country in my opinion.

2735 *Q.* In answer to Question No. 16, you say it is worth while to maintain village industries by developing the intelligence of the worker and improving his skill and "by attempting to substitute for the low grade material he now produces something in which there is more opportunity for the display of the human element." Would this substitution which you recommend involve pecuniary aid?

A. Yes, in the way of teaching, instruction, supervision.

2736 *Q.*—Do you also include granting temporary loans?

A. We are doing that for our weavers' societies in the Punjab.

2737 *Q.* You don't recommend that?

A. Yes, skilled supervision, teaching of all kind, help in marketing.

2738 *Q.* You state that the erection of mills in the Punjab would eventually crush out the village hand weaver. Does the hand-loom come into real competition with the Bombay cloth in any way?

A. At the present time we are trying to get hand-loom weavers to make standard cloth.

2739 *Q.* Is it a finer cloth or coarser cloth?

A. I am not an expert in cloth. I think it is the same quality of cloth which you get in Bombay.

2740 *Q.* Despite the fact that there are so many mills all over India the hand-loom industry has been going on all the same and hand-looms have increased as a matter of fact.

A. I think there are very few mills in India.

2741 *Q.* I think there are 250 mills?

A. What is that for 300 millions of people.

2742 *Q.* The hand-loom industry has been steadily prospering and increasing in number in the Punjab.

A. Not increasing in number. They have been more or less stationary.

2743 *Q.* They have not been crushed by the mill industry?

A. I think that is a different question. I think they have not crushed it yet.

2744 *Q.* With reference to your answer to Question No. 17 about competition, would not internal competition between protected industries and the limitation of profits by State regulations counteract this danger?

A. I think not. There would be much more chance of combination than of competition.

2745 *Q.* You do not think these would be adequate remedies?

A. No.

2746 *Q.* I do not understand your answer to Question No. 19. You say "India is such a large country and conditions vary so widely in different parts of it, that a conflict of interest is inevitable. The Punjab might be able to spin cotton, while it is very doubtful whether it could weave successfully, but the Bombay weaving mills would strongly object if they were forced to use Punjab yarn by a prohibitive duty on imported material."

A. Yes.

2747 *Q.* You are giving a hypothetical case? Would Bombay object?

2748 *President.*—The Bombay Mill Owners' Association recently recommended the imposition of a duty on yarn.

A. By a prohibitive duty I mean about 100 per cent.

2749 *Q.* Now I turn to Question No. 23—I do not quite understand what you say..... "here the view of necessaries depends very much upon custom, and not upon scientific appreciation of what life needs." Would not in your opinion all staple food come within the purview of 'necessaries'?

A. It varies from place to place according to local custom, for instance people in the Punjab take wheat, whereas in Bengal they take rice and so on. It mostly depends upon the habits, and to some extent the religious sentiment of the people.

2750 *Q.* Please turn to Question No. 25—"Protection would tend to reduce foreign trade and injure the commercial classes, especially those concerned with exports and imports. If India strives to reduce her imports of foreign manufactured goods she will equally be forcing down her exports. A country which will not buy cannot sell. The above is the general result, but it may be possible to protect some industries without causing any indirect injury; it would, however, never be settled what these industries were. India is so very much an exporter of raw material and an importer of manufactured goods that it is difficult to conceive of a measure of Protection that would bring a balance of advantage within any reasonable period of years."—Could not the balance of advantage be secured by India exporting her manufactures instead of exporting her raw materials?

A. At present there is a ready market for her raw materials. It is advantageous for India to export to the best market for her produce.

2751 *Q.* Foreign countries gain by receiving raw materials from India which supply employment for their population and they make money out of it and therefore they favour it? Would it not be in favour of India to utilise her raw materials and send them away manufactured and keep the money for herself?

A. When you have a market for the raw materials it is better to export.

2752 *Q.* Are we not getting more money for our manufactured cloth sent to Africa, Mesopotamia, etc?

A. Well, industry will develop itself in course of time. Every country has to develop its export trade; no country gets a ready market for anything; if you turn out good quality you get a good price for your stuff. It is the market that dominates production. You have your market for the raw materials. It is not certain that there will be a market for manufactured goods.

2753 *Q.* Regarding your answer to Question No. 30, about export duties, would you take the case of jute as one in which an export duty may be considered? Would not the export duty on jute be met from the profits of the exporters?

A. I agree about jute, because we have a monopoly.

2754 *Q.* Would a moderate export duty on wheat affect the Punjab? Would an export duty of 3 annas a maund affect prices?

A. It would.

2755 *Mr. Jamnadas Dwarkadas* Q. In the interesting statement you have submitted to the Commission your views can be summarised in this way: You are not in favour of a policy of Protection?

A. No, sir.

2756 *Q.* Your reasons are that the Punjab with which you are acquainted will suffer by adoption of a protective policy in India, it being solely an agricultural province, that it has no natural resources and therefore it is bound to suffer, and you feel that Bombay and Bengal will gain at the expense of the Punjab?

A. Yes.

2757 *Q.* You also come forward and say that if Protection is to be given it has to be given to the Punjab against Bombay and not against Lancashire?

A. The Punjab would probably like Protection against Bombay as well as Lancashire.

2758 *Q.* You also say that instead of using the weapon of tariff we should take the better method of scientific research and technical education, etc., in order to develop industries. You also maintain that the measure of scientific research and technical education have so far not been properly applied. You also maintain that if you have protective tariffs then Great Britain will come in with a lot of capital, and skilled labour of its own and will have all the advantages of the protective tariff?

A. There will be a tendency.

2759 *Q.* In your opinion there should be no protection?

A. Only in general.

2760 *Q.* You go so far as to make this statement that "if the desire for industries is to make India self-sufficing, then British capital and British control will accomplish this quicker than local effort"—so that you seem to be of opinion that if you have no Protection even then the economic salvation of this country depends upon Great Britain to a certain extent? Given that we have the requisite skill, knowledge, technical education, even then will we have to seek the help of Great Britain?

A. You will do better to take the advantage of the experience of Great Britain.

2761 *Q.* So that in both cases you cannot do without Great Britain, so far as India's economic salvation is concerned.

A. That is my opinion.

2762 *Q.* In answer to a question from the President you said that while you do not favour a policy of protection you do advocate for purposes of development of industries some sort of State aid. Could you give me an idea of it?

A. First I should say scientific research—an important object for State aid.

2763 *Q.* Would you not have a protective tariff under any circumstances?

A. Not as a general policy.

2764 *Q.* You said that if the Punjab begins to manufacture cloth it would compete with the cloth manufactured in Bombay rather than compete with the cloth manufactured in Lancashire?

A. Yes.

2765 *Q.* Assuming for a moment that internal competition in India between Bombay and the Punjab does take place, what would be the natural effect on prices of such competition?

A. Free competition always tends to lower prices, so that the consumer would get cloth at a lower price.

2766 *Q.* In one place you say that the natural consequence of a protective tariff would be to raise the price for the consumer. That result does not arise at all if we assume your above argument?

A. But you take away my premises. If you have protection for manufactured cotton the Punjab will try to manufacture cloth that is now manufactured in Bombay. A competition will be set up and prices will go down.

2767 *Q.* The effect of the internal competition will result in lowering prices?

A. There will be very keen competition in the country itself between similar manufacturers of different parts.

2768 *Q.* Is it possible to raise the price of the Bombay cloth in face of the competition that will be set up between the Punjab and Bombay?

A. If you have a high protective tariff.

2769 *Q.* But I put it to you again, Bombay manufactures the cloth which is usually used in the Punjab?

A. The Punjab manufactures the same kind which finds a market in the Punjab itself.

2770 *Q.* So there will be competition between the manufacturers of Bombay and the Punjab, and the result of the competition will be the lowering of prices?

A. As long as there is free competition the tendency will be to lower the prices.

2771 *Q.* In the end of your preliminary statement you state that "the industrial future appears to depend upon two sources of cheap power—the Attock oilfield and the Bhakra Hydro-electric project. It is not impossible that their development may lead to a complete alteration of our view of this province as predominantly agricultural." You agree that if the hydro-electric scheme is successful then it will help to make the Punjab an industrial province?

A. I hope so.

2772 *Q.*—So the whole argument that you have based on the assumption that the Punjab is an agricultural province will then have to be given up?

A. The fact that the Punjab is an agricultural province is one of my main arguments, not the sole argument.

2773 *Q.* Suppose the situation is altered? Then would you alter your view?

A. Not generally.

2774 *Q.* You hold that the Punjab will suffer by a policy of Protection and that other Provinces will gain at the expense of the Punjab? If the Punjab becomes an industrial province by the success of the two schemes then other provinces will not gain at the expense of the Punjab?

A. The Punjab will still be paying her duty on imported articles.

2775 *Q.* Will not a policy of Protection benefit the Punjab equally with other Provinces?

A. I would not be prepared to say that—it requires very careful examination.

2776 *Q.* You say that "in view of the imperative necessity of educating the people in the essentials of Government, I consider a tariff less suitable than direct taxation." How would you educate the people in the essentials of Government? I want to know whether you prefer direct taxation to tariff?

A. Yes; one of the results would be to educate the people in the essentials of Government.

2777 *Q.* Which is of greater advantage to the economic prosperity of the country—direct taxation or tariff?

A. Direct taxation is limited to what is specifically required for Government purposes.

2778 *Q.* You mean that you will force retenchment in expenditure? You mean to say that the absence of direct taxation avoids criticism?

A. It certainly tends to diminish it.

2779 *Q.* Do you know there is a good deal of indirect taxation at this moment? There is taxation for revenue purposes by tariffs. Do you think this has in any way lessened the criticism?

A. I should say that most of the criticisms on Government expenditure come from the people who pay income-tax.

2780 *Q.* Would you increase the income-tax?

A. That is a difficult question.

2781 *Q.* Let us take a concrete illustration. Last year there was a deficit of 18 crores of rupees in the Imperial budget; a large proportion of this 18 crores was met by enhanced tariffs?

A. Yes; the duty was raised from 7½ to 11 per cent.

2782. *Q.* Do you think that considering the circumstances through which the country is passing the country would have tolerated more direct taxation in preference to the raising of revenue by tariffs?

A. That is a political question.

2783. *Q.* I ask you whether you would have preferred to meet the last year's deficit by means of direct taxation notwithstanding any political effect?

A. I would, omitting the political effect.

2784. *Q.* In you answer to Question No. 4 you say that "the main problem in India is the poverty of the people; this poverty is much misunderstood both in its extent and in its relative intensity when compared with conditions in European countries and in Japan." Do you mean to say that poverty in India is never so acute as in Europe?

A. Its intensity is not so acute in India as in European countries; quite recently half the population in England could not secure the bare necessities of life even and one-third of the total Imperial expenditure had to be spent on Poor Law Relief. I should say on the whole the Punjab is far more prosperous than Portugal, Italy, Greece, Turkey or Serbia at the present day.

2785. *Q.* Do you think that the same conditions prevailed before the war and that the Punjab was more prosperous than Spain or Portugal? It is quite a new point.

A. It must have been misunderstood. People have an idea that Europe is rich and that there is far more poverty here than there.

2786. *Q.* Some of the best and most enlightened statesmen like Gokhale and Dutt have stated that the poverty of the Indian population is very bad.

A. It is the case that in every country men working without intelligence and without capital remain poor.

2787. *Q.* The statement is also made by a very responsible Indian that India is the poorest country in the world?

A. You have not read the condition of things in Europe. I can tell you that some people in Europe cannot afford to eat wheat. The Punjab people can do that.

2788. *Q.* You make a statement in answer to Question No. 13, that Protection means corruption and unending political plotting. Will you kindly say why?

A. There is no country where it has not bred corruption. That is the universal experience of every country in the world which has got Protection.

2789. *Q.* You admit that most countries of the world had a policy of Protection at some time or other?

A. Everywhere there was corruption.

2790. *Q.* Is England no exception?

A. In England we had the Corn Laws.

2791. *Q.* Before England had built up industrial resources it was a country which adopted a policy of Protection?

A. It had high import duties. Protection does not come in when you have nothing to protect.

2792. *Q.* You remember that there was a time when in England not only was a protective duty imposed but it was considered a crime punishable with penal servitude to import foreign made cloth?

A. There was prohibition.

2793. *Q.* It was only when England was able to export manufactures outside that she adopted a free trade policy?

A. I would not be quite prepared to say that.

2794. *Q.* She built up her industrial resources and then adopted a free trade policy?

A. In the natural sequence of time. The English tariff policy was changing for a period of 1000 years, and it is very difficult to fix a time like that.

2795. *Q.* Now you say that the difficulties of the protective idea are illustrated by the fact that it is supported by the same people who advocate reduction of taxation and vastly increased expenditure. And in answer to a question by Sir Maneckjee Dadabhoy you instanced as a demand for increased expenditure the demand for free primary education. Don't you think that that kind of demand for increased expenditure is made because people consider that it is an investment for the future?

A. No. The demand was for that which in the popular phrase was free primary education.

2796. *Q.* Don't they advocate free primary education because they think that ultimately in the long run it will lead to the good of the country?

A. Yes.

2797. *Q.* It is because people think that it is going to be an investment for the future?

A. The country cannot progress far without it.

2798. *Q.* It is (to give you a comparison) like accumulating capital for manufacturing purposes?

A. It is essential to progress. Yes.

2799. *Q.* But it is not an item of expenditure which can be compared to other items which are unproductive?

A. That particular passage was put in as a result of my reading the opinions of Indian gentlemen. I tried to get up as many books written by Indian gentlemen as possible to see their views, and they all advocated a tremendous increase of Government control in every possible walk of life. At the same time they went for reduction of taxation.

2800. *Q.* In your answer to Question No. 13, you say "In this province the Companies Act, which is designed expressly to facilitate the formation of joint stock companies, is regarded as a repressive measure." This is the first time that I have come across a statement like this. Can you substantiate that?

A. I am Registrar of Joint Stock Societies, and I speak from my experience. People come to me and grumble and point out how very repressive it is on all activities.

2801. *Q.* Can you prove it from the statements made by any responsible Indians?

A. People who come to see me say so.

2802. *Q.* You cannot prove it by the statement of any responsible Indian?

A. I have been told so by managers and directors of companies.

2803. *Q.* There have been many responsible Indian statesmen and critics of the Government. You would not like to name anybody?

A. I would not like to name anybody, but there are managers and directors of companies who strongly object to the Companies Act, which is intended to facilitate work, and think that it is a repressive measure.

2804. *Q.* Do they call it repressive in the sense that it is stringent, that its clauses are rather stringent?

A. They think that it should not be enforced strictly.

2805. *Q.* Is it your opinion that they really believe that it encroaches on their freedom?

A. I mean freedom to do what they like with their companies.

2806. *Q.* In answer to Question No. 15, you make a statement with regard to the factory laws here and the factory laws in Japan. I do not think you advocate that we should also work our factories as Japan does? In Japan they work for a 12 hours shift, and allow girls and women to work also?

A. They are allowed to work in the mines, which you do not allow in India.

2807. *Q.* I do not think that you would advocate at all that we should imitate Japan?

A. No.

2808. *Q.* Was that what you were aiming at when you made that statement?

A. I thought it was important to give a proper and proportionate view of this question.

2809. *Q.* In one of your answers you say that Japan with a policy of Protection has suffered?

A. I have not used that word, if I remember rightly.

2810. *Q.* You instanced Japan as a warning to India.

A. Japan tried to be a self-sufficing country prior to 1811.

2811. *Q.* Is there any analogy between India and Japan? Is Japan an agricultural country in the sense that India is?

A. Yes.

2812. *Q.* You know that Japan depends for cotton largely on India, and that India is a great cotton growing centre, so that there cannot be any analogy between Japan and India?

A. Japan is an agricultural country.

2813. *Q.* Japan does not grow cotton?

A. She grows other things besides, and her main industry is agriculture.

2814. *Q.* Japan has a great cotton industry?

A. I should not call it great.

2815. *Q.* In Japan there is a considerable industry?

A. Yes, there is.

2816. *Q.* If Japan suffers it is because it does not produce the raw material which is most essential for its industry. Is it self-sufficing in the sense in which India is?

A. It tried to be self-sufficing prior to 1850.

2817. *Q.* Will it be self-sufficing in the sense in which India would be as Japan does not grow cotton?

A. No. I said prior to 1850.

2818. *Q.* Then you admit that India is a producer of raw materials and an importer of foreign manufactures?

A. At present.

2819. *Q.* Is that a desirable condition in which India should remain according to you?

A. The main principle it seems to me, is perfectly clear. A country must try to produce those things which it is best fitted to produce. It is not a question of raw materials or of manufactured articles. It must produce those things which it is best fitted to produce. If it is best fitted to produce raw materials it should produce them. For instance the Tata Steel works have been producing steel. There is no use in artificial building up.

2820. *Q.* Would it not be a consummation decidedly to be wished for that India should manufacture articles out of her own raw materials?

A. Certainly if it can do so.

2821. *Q.* And if a reasonable protection is necessary for this purpose would you then not give it?

A. I should like to see the whole thing in detail before I give an opinion.

2822. *Mr. Mant—Q.* Reference was made by one of the questioners to the lack of capital mentioned in your preliminary note in the Punjab, and you said that a good portion would be required for the canal schemes. Can you tell me how you are going to be financed? By provincial loans?

A. I believe by provincial loans.

2823. *Q.* This capital will be raised in the form of Government securities?

A. I hope so.

2824. *Q.* That surely will not attract the whole Indian capital available. But I understand that Indian capital as a rule likes to get a larger return than is offered by Governmenment securities?

A. I believe so, Sir.

2825. *Q.* These canal schemes, these local loans, will not take up all the capital that might be available?

A. If you put the amount of capital that could be raised at 40 crores, 25 crores will be required for these canal schemes.

2826. *Q.* Do you think you will get 25 out of the 40, assuming that it is the only available capital? Do you think you would get more than half of it by provincial loans?

A. I do not know. It depends upon the amount of interest, upon the terms offered. But we require it.

2827. *Q.* There would be a balance available for more remunerative projects?

A. It will be drawn upon. I have not said it won't.

2828. *Q.* My point is that you will take only a small proportion of the greater part, assuming that there is a considerable amount of capital. The greater part of it would prefer more remunerative investment?

A. Combined with safety. Yes.

2829. *Q.* That may be. In your answer to Question No. 4 you say "There may be a future for chemical industries in this province." Could you please say what industries are likely to grow, and after what interval they will grow, in this province?

A. I gave as an instance the turpentine factory, a chemical industry making raw material in the province.

2830. *Q.* You mean that the industry works by chemical processes?

A. Yes. As opposed to power.

2831. *Q.* You do not mean that the province can produce chemicals?

A. No. I meant industries produced by chemical processes, not by cheap power.

2832. *Q.* In answer to Question No. 5 you say "The presence or absence of a tariff will not influence the attempt to start unsuitable industries." Then you say a little further on "if the price of the manufactured articles were kept artificially high all sorts of unsuitable schemes will be started and much capital would be wasted". Is there not some inconsistency?

A. This evidence was recorded over a period covering 10 days. I must confess that when I wrote that passage I did not notice the inconsistency. The point was afterwards raised. I think it might be "will influence."

2833. *Q.* I take it that your main argument is that a protective tariff would be harmful in stimulating unsuitable industries?

A. It will be harmful. It will lead to the starting of industries which have no possible chance.

2834. *Q.* Coming to your answer to Question No. 13, you gave us some instances of industries which have not developed in the Punjab. You have already mentioned the case of glass. You told us that the transport rates are at present equivalent to a protective duty of about 500 per cent.?

A. Yes.

2835. *Q.* The Director of Industries told us yesterday that good glass could be made in the province, and that it only wanted a higher protective duty to start the industry. Do you agree that good glass could be manufactured in the Punjab?

A. Assuming that there is competent management, I should feel inclined to agree.

2836. *Q.* Your view is that the labour is inefficient?

A. The main factor is the human element.

2837. *Q.* It will take a much larger protective duty than 500 per cent. to stimulate that industry?

A. I think it can be done now with enterprise.

2838. *Q.* But we were told yesterday that the present conditions are not sufficient?

A. I think lack of enterprise is the chief thing.

2839. *Q.* You don't think that any duty would produce the industry without enterprise?

A. Remove the inertia.

2840. *Q.* You mentioned modern dairying as another industry for which there are special facilities which has not been started owing to want of enterprise. Is there a great demand for the products of modern dairying?

A. There is a demand for milk and ghee only, but not for the bye-products.

2841. *Q.* I mean the main products. Does not the ordinary consumer prefer the ghee that they make in the village? Does he want it in better condition?

A. Apparently the demand from the towns is not satisfied with that ghee.

2842. *Q.* Local enterprise is not sufficient to meet the demand in the towns?

A. Local enterprise and religious sentiment somehow conflict and do not facilitate dairying at all.

2843. *Q.* That is the condition. But there is a demand?

A. Yes. There is a demand. Not satisfied with this ghee they actually get ghee from the United Provinces for consumption in the towns.

2844. *Q.* In your answer to Question No. 14 you say that a protective duty should not remain for more than 20 or 30 years, and should be withdrawn by stages. Do you think that a practical working arrangement?

A. It is almost impossible. The people interested will try to retain it and get the advantage of the increased duties.

2845. *Q.* You have to keep it until the pressure of some other section adversely affected becomes strong enough to remove it?

A. Under a popular Government it is very difficult indeed to remove it.

2846. *Q.* Really, if you adopt Protection once, it has got to stay?

A. I certainly think so.

2847. *Q.* In your answer to Question No. 16, you refer to the question of power looms in villages. I understand that you had a good deal to do with this subject in connection with your Weavers' Societies. I think you might probably give us some useful information about these power looms, what their prospects are and whether they are already being used.

A. They are not being used at all. We find some difficulty in introducing the improved loom.

2848. *Q.* What power do they use?

A. We have not started power looms.

2849. *Q.* If you set up power looms, what power do you contemplate?

A. It is not a matter of hand-looms or power looms, but whether we can set up power looms which will have a better running power.

2850. *Q.* What power would you use?

A. Attock oil and Bhakra electricity.

2851. *Q.* Would you get electricity in the villages?

A. We hope to get electricity for pumping as well as for everything in the Punjab. We hope to use it for all kinds of things.

2852. *Q.* Then in answer to Question No. 19 you say that the Punjab might be able to spin cotton, but it is very doubtful whether it could weave successfully. What are the obstacles to weaving in the Punjab?

A. I think if you ask Mr. Harkishenlal he will tell you. The difficulty is that the fingers of the ordinary Punjabi are too thick for the weaving process.

2853. *Q.* You think yarn can be made successfully?

A. Yes.

2854. *Q.* In answer to Question No. 24 you say "It is difficult to find good reason to believe that the higher prices due to Protection would be covered by a rise in wages or salary." I want to ask you whether it is not generally accepted by economists that wages can only rise as the result of the effectiveness of labour?

A. You mean efficiency.

2855. *Q.* General effectiveness includes all the organisation of labour. Is it generally agreed that a mere rise in prices will not produce a rise in wages?

A. It is generally agreed that a mere rise in price is never accompanied by an equivalent rise in wages.

2856. *Q.* That is, labour has got to earn what it gets?

A. Yes.

2857. *Mr. Calvert.* May I be allowed to clear up one or two points that I mentioned this morning. You asked me, Sir, whether Protection was not adopted by almost every civilised country. I instanced Holland. You thought Holland was a protectionist country. Holland has always been a free trade country.

2858. *President*—*Q.* I asked the question about Denmark?

A. The attempt to introduce Protection in Holland in 1913 failed. It has been a free trade country throughout.

2859. *President*—*Q.* By whom was the attempt made and why did it fail?

A. The idea of Protection arose from a need for funds for social reform and a Bill was introduced on August 1st 1911 to increase the amount of customs duties. It led to widespread agitation in the country. It was finally withdrawn and the election of 1913 led to the resignation of that ministry and free trade has taken its place.

2860. *Q.* That is to say, an effort was made to adopt a policy of Protection and that failed because public opinion was against it?

A. Yes. The next country is Belgium. Belgium is also a free trade country.

2861. *President*—*Q.* If you see the proceedings of the Imperial Legislative Council, you will find that I asked the Government of India in March 1913 to state whether each of the countries mentioned by me in the question was working on the principles of protection or free trade, and I put in all the civilised countries and the British Dominions and the answer as far as I remember was that except England, India and Turkey, all the other civilised countries were protectionist. My authority for my statement was the authority of the Government of India. Perhaps the Government of India were mistaken.

A. In Belgium duties have been imposed to protect against unfair competition. I do not know much about Denmark but I am pretty certain that Denmark is mostly a free trade country.

2862. *President*—*Q.* If you do not know anything about Denmark definitely, it is no use making a statement?

A. Then the other question which I did not answer was about the methods for the building up of industries. I will read out the methods adopted in Bulgaria to encourage native industries and trade:

> The establishment of an industrial Council to advise the Minister of Industry and Commerce as to the grant of certain privileges to concerns which will fulfil three conditions: (*i*) they must use mechanical power of not less than 10 h.p.; (*ii*) they must have invested in machinery not less than 20,000 leva *; and (*iii*) they must employ not less than 10 workmen for at least 6 months of the year. These are the concerns which enjoy the privileges and the privileges are:
>
> (1) Free grant of water power;
> (2) Free import of machinery, if such machinery is not manufactured in the country;
> (3) Free import of raw material;
> (4) Free grant of land for factory sites;
> (5) Reduction of 35 per cent. on railway rates; and
> (6) Preference over foreign goods for the supply of the requirements of public offices and state, district and municipal authorities.
>
> Certain kinds of concerns, if they employ not less than 50 workmen during the whole year and provided they possess mechanical machinery of the value not less than 150,000 leva can obtain by the vote of the National Assembly for a limited period (not to extend beyond 1925) the exclusive right to carry on these industries within a particular area consisting of two or three districts. The act was passed in 1909, so they get a 16 years monopoly.

These enactments have greatly stimulated industrial enterprise.

2863. *Mr. Seshagiri Ayyer*—*Q.* You are in favour of bounties being given in this country?

A. State aid chiefly in the matter of technical training, scientific research and education; free water power; free import of machinery; free import of raw material reduction of railway rates; free land and preference over foreign goods for the supply of public requirements.

2864. *Q.* These are as a substitute for Protection?

A. Yes.

2865. *Q.* You recommend that goods should be carried more cheaply by the railway authorities?

A. Yes.

2866. *Q.* You would therefore recommend all kinds of assistance mentioned in the Bulgarian Act?

A. I name them as methods for encouraging industries.

2867. *Q.* Would you also recommend the grant of loans on easy terms to persons who are willing to start industries?

A. Under certain conditions. That is one of the methods I advocate.

2868. *Q.* I am rather interested in it, because I come from Madras, a part of the country which does not possess very much capital. Where there is a desire to start industries and where there is raw material, you would recommend the various methods mentioned by you and also the grant of easy loans by Government?

A. Under certain conditions, Yes.

2869. *Q.* Would you also recommend as a sort of experiment that Government should pioneer industries?

A. Yes.

2870. *Q.* The Government have done it in the past in the case of tea and coffee?

A. And aluminium.

2871. *Q.* And very recently the Government of Madras started a tanning industry and sold it to a private company. You are in favour of Government pioneering industries so that the people may understand that they are paying concerns and may start them themselves?

A. I favour the pioneering of industries by Government.

2872. *Q.* In countries where there is party government you find one party advocating free trade and another party advocating Protection. There is a constant change going on in these matters in those countries. In connection with that I want to ask you one question. I think it is Mr. Mant who said that once a protectionist duty is levied it seldom happens that that duty is taken away. I believe you have studied the history of Canada and the United States. There you find that the duties levied have been taken away when the Democratic party or the Republican party was in power.

A. Some of the duties have been reduced.

2873. *Q.* Therefore it does not follow that they will remain all through.

A. I cannot remember a single case of Protection accorded to a particular industry in which the duties were subsequently taken away entirely.

2874. *Q.* You put in the forefront of your answers the natural disadvantages of the Punjab in the way of industrial development. I will enumerate to you what her advantages are. You have got some coal which Bombay has not got. You have got the Hydro-electric scheme. You have got larger rivers here from which hydro-electric schemes can be more developed, and you have yourself referred in one of your answers to the exploitation of the Attock oil fields which to a certain extent may stand in the place of coal. Now take all these things into consideration. Are you not in the Punjab in a better position as regards the starting of industries than Bombay?

2875 *A.* Punjab industries would not use Punjab coal. It has got too much ash.

2876. *Q.* You certainly cannot say that the Punjab is in a worse position than Bombay?

A. Bombay has got a sea-board which is a very great advantage.

2877. *Q.* You have been told that Bombay is not now getting coal by sea.

A. It may be so at present.

2878. *Q.* Then as regards capital, a very high personage in the Punjab told me that whenever there is a company floated in Bombay you have a number of people from the Punjab applying for shares and that there is no lack of capital.

A. They fought shy of joint stock companies here.

2879. *Q.* That was owing to bad management, and as you say the human element was wanting.

A. The available capital of the Punjab is only about 40 crores.

2880. *Q.* I am not a mill-owner, but I believe that for starting a mill not more than 2 crores will be needed.

A. 40 crores is not much.

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*1 leva=10 annas.

2881 *Q.* You can start mills and the wealth will be retained in the country and you can go on adding. At any rate there is capital lying idle in the Punjab?

A. Yes.

2882. *Q.* Labour was another difficulty which you mentioned. Was it not a fact that during the time when India was striving its utmost to give to the Empire its military strength, the Punjab was able to produce about half a million people notwithstanding that a large number of her people were engaged in cultivation? The point you made was that there was practically no unemployed labour in the Punjab.

A. People are partially employed. There are no people practically idle from month to month.

2883. *Q.* I am told by a reliable authority, that a large number of people are unemployed and would be glad to find some sort of employment whether in industrial mills or in some other ways.

A. I believe almost as much as 80 per cent. of the unskilled labour in works in the Punjab comes from outside the province.

2884. *Q.* Are you in a position to say that if industries are started the agricultural position would suffer?

A. It will improve.

2885. *Q.* There will be no undue drawing away of men from agricultural work?

A. That is a very difficult question. There is much land in this province which is uncultivated for want of tenants. It is a common complaint in the Punjab that big landlords cannot get tenants for their lands.

2886. *Q.* That is, I hope, in parts of the Punjab. In other parts there is an overflow of labour?

A. Yes.

2887. *Q.* On the whole can you say that there will be want of labour for industries if industries are started or that agriculture will suffer by labourers being taken away?

A. Every contractor here will tell you that you cannot get labour in the Punjab.

2888. *Q.* Why?

A. Because the Punjab is a very prosperous province. The people have got sufficient and they are not prepared to put forth extra labour: they are quite content with what they get.

2889. *Q.* If you start industries, the idea of putting their hand to some labour will come. Don't you think so?

A. Mr. Harkishenlal will tell you. He had a mill and he could not get the labour necessary.

2890. *Q.* Now, as regards this question of direct taxation, you know that at this moment almost the whole of India is agreed that the agricultural lands are being very heavily taxed.

A. Surely not. The Punjab land is the lightest taxed in the whole world. The average revenue for a cultivated acre is Rs 1-9-6; it works out to about 5 per cent. of the gross produce.

2891. *President*—*Q.* That is for non-irrigated lands, I suppose?

A. That is a mathematical average, the total revenue divided by the number of acres cultivated.

2892. *Q.* You have not got separate figures for irrigated and non-irrigated lands?

A. No. An acre of wheat land in the Canal area is taxed about Rs. 5 per acre, but it varies with the new and old canals.

2893. *Mr. Seshagiri Ayyer*—*Q.* My experience in Madras is quite different. We are paying about Rs. 15 or Rs. 20 an acre on the average. So, according to you the Punjab can afford to pay a little more direct tax from the land?

A. Yes.

2894. *Q.* Would that be the idea of the people?

A. It won't be popular.

2895. *Q.* I am rather interested in your statement that so far as the Punjab is concerned the starting of co-operative societies is regarded as a repressive measure.

A I said the Companies Act was regarded as a repressive measure.

2896. *Q.* So far as co-operative socities are concerned, they are improving?

A. They are getting on very well.

2897. *Q.* You say in one or two places that there is no skilled labour in this country as in England, and in one place you say "It would take many years to manufacture in India all the cloth now consumed, and during that period while the manufactures were getting new mills ready, the province would have to buy imported cloth as before." And then you say in another place "In America there were trained skill, experienced industrialists" and so on. Of course there could not have been trained men, experienced industrialists, etc., in America from the outset?

A. But America took her trained men from England. Almost every trained artisan at one time was born in England.

2898. *Q.* So far as the Punjab is concerned, you can get trained men from Bombay and other places.

A. Bombay cannot spare them.

2899. *Q.* You cannot get all the trained men from outside: you will have to train them.

A. It will take a long time.

2900. *Mr. Coyajee*—*Q.* Do the Punjab agriculturists consume imported commodities to any considerable extent?

A. Yes. Cloth, a certain amount of aluminium ware and brass ware.

2901. Q. These are the only things?

A. I won't say these are all.

2902. Q. The question arises from this: how far is a rise in price due to Protection likely to reach the agriculturists appreciably?

A. A large number of our Punjab agriculturists are comfortably off and they live on the whole quite a comfortable existence.

2903. *Q.* You think that a protective tariff would affect them more seriously in the Punjab than elsewhere. The argument has been brought forward that the agriculturists do not consume imported goods to any considerable extent, and consequently if a tariff is imposed they will not be sensibly affected by it. What do you think of it?

A. The agriculturists use imported goods and a policy of Protection will affect them.

2904. *Q.* You would not go so far in your advocacy of free trade, as to deny the infant industry argument and its merits?

A. I will admit that industries have been encouraged by Protection in other countries.

2905. *Q.* You say in your Memorandum that there is a possibility of successful prosecution of chemical industry in this province. Supposing the chemical industries that you start in this country were harmed by dumping, subsidies, shipping rates and other causes, would you not protect them against such unfair competition?

A. I think I have answered that in reply to Question No. 15.

2906. *Q.* You would favour protection against dumping, bounties, etc. But if you find that the price cutting device and subsidised shipping (they are every day occurrences of foreign competition now, though they were exceptional formerly) were growing increasingly, you would admit that the weapon of Protection should be used more frequently?

A. We could have a countervailing duty. India is a large country. No other country could afford to continue a policy of bounties on export to India. India is too big a country to go on dumping into.

2907. *Q.* At the same time India is a big market for the dumper?

A. It would ruin the dumper. It is too big a country.

2908. *Sir Montagu Webb*—*Q.* May I ask, Mr. Calvert how long you have been in the Punjab?

A. 23 years.

2909. *Q.* I take it that you are intimately acquainted with the people of the province and their needs and aspirations.

A. Fairly well. I have tried to understand them.

2910. *Q.* If I have gathered your general view correctly, it is that the Punjab is a very large agricultural province (almost as large as France) and that the interests of this province, having regard to irrigation developments coming along, lie rather in the direction of agriculture than in an attempt to artificially foster industries.

A. Given recources, men and capital, they can be better employed in new schemes of agriculture.

2911. *Q.* You lay special emphasis on the fact that you speak only for the Punjab?

A. Yes.

2912. *Q.* I take it that you are doing so and leaving it to the Commission to draw its own conclusions and to balance one province against another with regard to India as a whole?

A. Yes.

2913. *Q.* You are merely giving your opinion as to what suits this province?

A. Yes.

2914. *Q.* In the very end of your reply to Question 15 you refer to the possibility of unfair competition from Japan and you say it is difficult to suggest ways of meeting this difficulty?

A. Yes.

2915. *Q.* Do you think that an import duty would be of any good in meeting this difficulty? And would you impose an import duty with that object?

A. No. I do not see how you could. It is purely a domestic problem of Japan. I do not see how you can threaten Japan with an import duty unless she carries out her factory laws. It is interfering with her internal domestic affairs.

2916. *Q.* We do not approve of labour being utilised in that way. Don't you think it would be a fair means to meet the position by an import duty and thereby to that extent cut off the advantage which Japan secures by child labour, etc.?

A. Then you are interfering with the domestic question.

2917. *Q.* I am meeting unfair competition.

A. I think it is very delicate ground for the Government to embark on.

2918. *Q.* In your answer to Question No. 33, you regard export duties on foodstuffs as about as immoral a proposition as could be imagined?

A. Yes.

2919. *Q.* Your reason for that appears to be that you think it might depress the price of agricultural produce for the benefit of other parties, consumers generally?

A. You depress the price received by the producer and favour the consumer, whether rich or poor.

2920. *Q.* Can you tell the Commission from your own personal experience whether agriculturists in the Punjab would object to a slight lowering of the prices of their produce if they thought that they were encouraging the growth of Indian industries?

A. I know that at present there is very strong resentment felt in the province at the proposal to impose an export duty on wheat. It is very strong indeed.

2921. *Q.* You know that from your own personal knowledge of what the cultivator says?

A. Yes, I have just come down from Lyallpur where the feeling is very strong.

2922. *Q.* In your reply to Question No. 9, there occurs what seems to me to be a very extraordinary admission on your part. This Commission is considering the question of Imperial tariff. You say "Were it a question of protecting the Punjab against Bombay, etc., I think that there would be some strong arguments in favour of tariffs designed to encourage industries in this province." This seems to me to run counter to the whole of your evidence. If you think there are good grounds for imposing duties for encouraging industries in the Punjab as against Bombay, then what has to be said against the policy of imposing duties to protect India as a whole from competition from outside?

A. Speaking from the Punjab point of view, there are no strong arguments in favour of protective duties to encourage industries of Bombay or Madras, but there will be some argument if you have a tariff in the Punjab against Bombay.

2923. *Q.* Will you tell me what the strong arguments are?

A. The arguments which you have for Protection do not apply to the Punjab as long as you have no inter-provincial tariff. If you have an inter-provincial tariff, then the general argument in favour of Protection begins to apply.

2924. *Q.* And you would apply it apparently?

A. I have not quite said that. I say there would be some strong arguments in favour of that.

2925. *Q.* It seems to me that this cuts away the whole of your evidence?

A. There are strong arguments in favour of Protection. People put forth the mere fact that so many countries go in for Protection. But speaking purely from the point of view of the Punjab, those arguments do not apply. We must have free trade. If you have inter-provincial tariffs then the arguments for Protection begin to apply.

2926. *Q.* If you advocate inter-provincial tariffs, then you are a Punjab protectionist?

A. I have not said that.

2927. *Q.* It appears to me to be the logical conclusion?

A. The arguments would not begin to apply unless you have inter-provincial tariffs.

2928. *Sir Edgar Holberton*—*Q.* With reference to your answer to Question No. 8, your point is that an excise duty might stir the manufacturer up to greater efforts by adopting new methods and modern machinery. Can you give me any instance where that has actually happened, where the institution of an excise duty, such as that at present imposed on cotton cloth has been of advantage?

A. I put it the other way round that we know cases where an import duty has tended to retard the installation of new methods and adoption of modern machinery. We have certain cases in which Lancashire itself fought protective duties of other countries by improving her industries. If you have no excise duty, you remove that stimulus. The effect of the excise duty is to remove the little protection afforded by the import duty. Therefore he has got to meet this increased competition by improved methods or better efficiency or organization.

2929. *Q.* In your reply to Question No. 9, you state that "it is generally agreed that a tariff is a clumsy and an unsatisfactory method of achieving this object, that it is not by any means a certain method and that it almost inevitably leads to meddling with business, to waste and to corruption. By meddling with business, I understand you mean Government controlling the business. In fact your desire is that the business should be allowed a perfectly free hand?

A. Yes, so far as possible.

2930. *Q.* You do not want that they should be hampered by any sort of legislation?

A. No.

2931. *Q.* With regard to your answer to Question No. 18, you develop a theory there that as a general rule if a man fails, it is because he deserves to fail?

A. He lacks some of the essentials to success.

2932. *Q.* What are the essentials to success in a business?

A. There are a great many. Far more than protective tariff, there is organization, sound judgment, etc.

2933. *Q.* Do you mean that the man who cannot run a business of his own without the support of Government is not worthy to run that business?

A. Generally.

2934. *Q.* Is there any country in the world in which that is true?

A. I think the efficiency of English industries has been very largely enhanced by having to fight the protective duties in other countries.

2935. *Q.* In your reply to Question No. 18, you indicate that a dividend of 7 or 8 per cent. might attract British capital but would not attract Indian capital. Roughly what is the dividend that the Indian capitalist would expect?

A. It varies.

2936. *Q.* You think 7 or 8 per cent. would not interest them in the slightest degree?

A. Not in industries.

2937. *Q.* If you are going to get many people to put money into industries, at all events in the Punjab, they will only do so if they can see, what we English people call, a very large return?

A. Yes.

2938. *Q.* I gathered from the interesting discussion that you had with the President that you said that Germany was forced into import duties for revenue purposes. Bismark himself was a free-trader. He imposed heavy import duties primarily for revenue purposes.

2939. *Q.* It is a historical fact which has been revealed?

A. Yes.

2940. *Q.* I understand you have studied economics for many years?

A. I was engaged on a comparison of the Punjab conditions with the conditions of rural parts in other countries, to see how we stand.

2941. *Q.* The Punjab is really in some way the granary of India?

A. Yes.

2942. *Q.* Other large countries like India have definite portions of their territories which may be called their granaries?

A. Yes.

2943. *Q.* Has it been your experience in studying the economic history of these countries that it has actually happened that they have tried to industrialise their granary areas?

A. My point is that in nearly every country industries are confined to a well defined area, where there are special local facilities. Industries can only succeed where you have special natural advantages.

2944. *Q.* In fact, it would be quite consistent with your theory that a Protection or industrialisation policy should be adopted for India, but that the Punjab as the granary of the country should be left out of it?

A. The Punjab cannot expect in the near future to have large scale industries, for the simple reason that it has not got special advantages, which are essential.

2945. *Q.* That would be perfectly consistent with the story of Germany or the United States?

A. Yes. There seems to be extraordinary misconception about the industrial question. Take the case of Japan. Before the war, the Japanese Ambassador told an American audience that the whole annual output of Japanese industries was half that of a single American city.

2946. Q.—Even an industrial policy would by no means contemplate for a moment pushing their industries except in the most suitable locality?

A. Yes.

2947. Q. The idea which sometimes is put forward by and to witnesses here is that it is for the good of India to industrialise the whole country. That would be an entire innovation in the history of the world so far as you know?

A. Absolutely unprecedented.

2948. Q. In connection with Sir Maneckjee's question that there were 136 companies in 1910 with a capital of 172 lakhs and 79 companies in 1920 with a capital of 325 lakhs, I think the increase occurred during a very difficult period entirely without any Government assistance?

A. Yes.

2949. Q. Would you or would you not look upon an increase from 172 to 325 lakhs as at all noticeable in a period of 10 years?

A. I do not think the increase of 130 lakhs is remarkable for 10 years.

2950. Q. Would it have been increased, had there been special protection given or special Government measures taken to industrialise the Punjab?

A. I do not think that any protective measures would have influenced this question at all in the Punjab.

2951. Q. I gathered from Sir Maneckjee's discussion with you that he considered that once you have started your factories and produced your manufactured goods, the finding of a market would be easy, whereas you rather gave me the impression that you thought the finding of a market would be a difficulty?

A. My point is it is the market that determines your production. You must see your market before you begin to produce.

2952. Q. The difficulty of marketing might be considerably enhanced if this industrialisation was built up under a policy of Protection, by the fact that thereby you would be placed in an unfavourable position with other nations?

A. Of course with a high protective tariff, you have got the exchange against you.

2953. *President.*—Q. You say that England has had to fight by improved efficiency in manufacture the protective handicap which other countries had imposed against her manufactures, and that the result must have been that England produced a better quality and cheaper goods in order to counteract the effect of these protective duties. Then if a countervailing excise duty is imposed, to that extent you reduce the effort that England would make towards retaining that market?

A. Certainly.

Witness No. 18.

GHULAM RASUL KHAN, B. Sc., Bar-at-Law and Safaidposh of Lyallpur.

Written statement dated the 2nd December 1921.

2954. I am directed by the Financial Secretary to Government, Punjab, to prepare myself to give evidence on certain points concerning the interests of the rural community of the Punjab.

He also wants me to give answers to certain questions from a list of questions prepared by the Commission. I shall make an attempt to answer Questions Nos. 30-34.

My written replies to the above questions will be from a zamindar's point of view. Within such a short time I have to some extent been able to exchange my views with the agricultural class of this district and I am merely representing their views.

These questions are so important and comprehensive that one can write volumes of literature over them. I regret to say that the shortness of time does not permit me to enter into lengthy reasonings and discussion but I shall try to expound the theory of export duties in a compact form.

Before touching the questions in particular I should like to give general functions of export duties.

The first portion of Question No. 30 will be a discussion of functions of export duties from a literature point of view.

Questions and their answers.

2955. *Q.* 30. This question cannot be answered in a general way and as such no hard and fast rules can be laid down.

But it is safe to say that export duties should be levied in those cases and in those cases alone in which the burden of the duties can be thrown on foreign countries. For this reason it is absolutely necessary to examine each commodity and to find out the total world produce of that commodity as well as that produced in India. Next we shall have to take into account whether that commodity is a necessity, that is the use of which cannot be dispensed with by foreign countries or whether it is a commodity which it is easy to dispense with or else for which a substitute can be easily found. If the commodity is such as is produced solely in India, then you can tax that commodity provided of course that the foreigners cannot dispense with its use. In this case you throw the whole burden on the foreigners.

If, however, the commodity is such that in relation to the world produce India produces only a small quantity then to tax that commodity shall be folly, because in that case the whole burden of taxation shall be thrown on India, and in consequence of such taxation the Indian rural community will much reduce the cultivation of that commodity.

It is of course assumed that the commodity is a necessity and no substitute can be found. If, however, that is not the case then it is absolutely detrimental to tax that commodity. It is further assumed that no political or other considerations enter into it. It is possible that you may have to tax a commodity for political reasons, for instance, that there is a famine raging in India, then cases might arise in which you not only have to impose a restriction but probably rather to prohibit export altogether.

But leaving these special cases, it can simply be said that export duties should be sparingly levied, and if levied at all each case of such taxation should be thoroughly considered beforehand according to the principle laid down above.

Free trade is natural, Protection is cruel and unnatural. For the peace and prosperity of the world it is necessary that the nations trade together, for the people of every nation to enjoy the best that the world in its entirety offers, it is necessary that the economic laws be followed by each in production and distribution. Free trade opens all ports, welcomes from every land what it has to spare and gives in exchange what it has in excess of.

Free trade means "Peace and plenty" for all men.

So far as regards the proper function of export Duties. As to the second portion of this question I beg to submit that the imposition of taxes should not be made only for the purpose of raising revenue, because such taxation indirectly affects the agricultural class. Export duty means increase in expenditure of exportation. Such a rise in the prices of commodities will discourage the foreign traders to carry on the trade with this country. Natural result of this will be that there will be a tremendous fall in prices of the products produced in this country. The Punjab, the population of which constitutes 95 per cent. of men of agricultural classes, will mostly be affected.

In my opinion the export duty may be utilised only in those cases in which it is desired to check the export of a certain commodity which is required for consumption in the country itself. Secondly, if the quantity of commodity exceed the needs of the population and the other countries cannot dispense with its use.

2956. *Q.* 31. The general effect of export duties on the export trade is injurious and detrimental. Such taxation will in my opinion demoralize the people.

Export duties can be imposed without injury to the trade in many rare cases. Circumstances under which export duties can be imposed without injury to the trade are those when India produces some commodities extensively and exclusively and foreign countries cannot dispense with the use of it.

Such commodities are such as jute, flax, hemp and tea. These commodities are not much consumed in this country.

They are largely produced here and are much in demand in other countries. Their cultivators will not much be affected by such taxation. Export duties on hemp, etc., will mean an imposition on the foreign traders.

If the above mentioned commodities be taxed then the amount of tax should not be excessive in order to continue mutual co-operation with other countries to which such commodities are exported.

2957. Q. 32. I do not consider it advisable to impose an export duty on raw material. Imposition of duty will discourage its consumption by foreigners. Thus the raw material will be retained in India. Its prices will fall immensely thus driving the cultivators to poverty. Interest of India requires that the cultivation in India should be encouraged because the largest source of income is cultivation. Export duties on commodities will paralyze the industry of cultivation.

Duty on a raw material will have another bad effect on the inhabitants by an indirect means. For instance if foreigners pay higher for raw material they will naturally charge higher for manufactured articles which they will manufacture out of that raw material.

But in certain cases some duty on raw material may be advisable. By imposing taxes some raw material will be retained in India, such retention will encourage Indian capitalists to open factories for manufacture of articles out of that raw material. This will be doubly useful for the country. On one hand, home made articles will cost less in comparison to those that are imported from abroad, and on the other hand a good many poor hands will earn their livings from engagement by the owner of those factories.

Of course such retention would have some bad effect on the producers of the raw material. When the commodity is retained in India it will deteriorate in its price which will naturally discourage the producers in cultivating extensively. Therefore it is very likely that they might give up its cultivation and adopt the cultivation of another crop which fetches a higher price. I am again of an opinion that even on raw material there should be no taxation at all. But if it is desirable to have duties imposed on raw material it should be very very nominal. This fact should never be lost sight of that out of the whole population of India 95 per cent. consists of that of agricultural classes and their interests must be considered from all points of view.

2958. Q. 33. I may again point out that my answers to these questions are from the point of view of an agriculturist, and I am laying before the Commission the wishes of a class to whom I belong and represent. As far as I can conceive I see no advantage to India by imposing an export duty on foodstuffs. India is an agricultural country and its only source of income is cultivation. The cultivators hold small holdings. By cultivation of those holdings they obtain a limited amount of produce which they sell in order to meet their expenses as well as pay their revenue. They also require to save some quantity of produce for their consumption. Thus a zamindar must have sufficient money to defray his expenses throughout the year.

By free trade his commodity fetches a good price, and this enables him to meet his household expenses leaving a sufficient quantity of produce for his consumption and the consumption of his family. Under the present circumstances most of the profits go to the pockets of capitalists who buy the commodities from an agriculturist early in the season and afterwards sell at fancy prices. Under the present circumstances higher cost of living is not due to the free export but on the other hand it is due to the storage of foodstuffs by the traders. If foodstuffs are taxed on their export the prices of foodstuffs will fall and thus will cause a great disadvantage and harm to the producers. If export duties on foodstuffs are imposed the cultivators will be demoralized who will give up cultivation if not altogether but surely much less area will be cultivated and thus there will be a great shortage in the foodstuffs.

Such export duty shall not only have a bad effect on the quantity of commodities, it will also have a bad effect on the quality of the crops produced. By such a taxation India will doubly suffer, on the one hand less quantity of foodstuffs will be produced and on the other hand rural classes in India will be driven to poverty. Export duty will retain foodstuffs in India thus lowering their prices. Zamindars shall have to sell their products more in quantity and less in prices. Such an action will give more chances to the capitalists to obtain enormous profits from the commodities exported. Duties under these circumstances will mean raising more revenue from the zamindars because such a charge on export trade means a comparative loss on the prices of the produce. Such a taxation will naturally mean an imposition on those inhabitants the class of which consists of 95 per cent. of the whole population of this country. One supporting the cause of export duty on foodstuffs will lose sight of the fundamental principle of taxation, that is export duties should only be levied if it imposes expenses on the foreigners and brings more income to the country from which such a commodity is exported.

Consequently export duty on foodstuffs means on one hand discouragement to the producers and loss as well as loss to them in prices of products.

2959. Q. 34. This is rather a difficult question to answer off hand because it requires a thorough study of the commodities which are exported or imported. The word retaliation in itself is abhorring. One has not to impose an export duty simply because another country charges for the importation of manufactured articles. The underlying principle is this whether such a charge is beneficial to the country and brings richness and comforts to its inhabitants. If that commodity which is exported to other countries and they are taxed if inhabitants of those countries imposing such duties cannot dispense with the use of the articles such imported then the burden of tax will be thrown on the inhabitants of such countries. If we tax the commodities that are exported from India and their use can be dispensed with by the foreigner then export duty will have a very bad effect on the agricultural classes because in such a taxation the prices of the commodities will fall and thus will touch the pocket of the rural community of India.

Rather more such a spirit of retaliation would not pay India, as the inhabitants, owing to lack of factories, depend on the manufactured articles imported from abroad. Thus taxing exportation would mean paying much more for the manufactured articles imported from abroad. Therefore by such a bargain India instead of gaining wealth and comfort for its inhabitants will lose prosperity and utility.

Such action of retaliation can only be useful if raw material is supplied from this country and is not again needed when manufactured. Export duty can be imposed with retaliating spirit only if home manufacturing is to be encouraged.

Before closing arguments on this question I would like again to draw the attention of the examiner to the fact that charge of export duty with the spirit of retaliation for an import duty imposed by a foreign country on the manufactured articles is never advisable. One must see whether the imposition of duty brings money to his country or whether it throws more burden on its inhabitants. If such a retaliation throws burden on the shoulders of the foreigners the commodity intended to be exported is such that its use cannot be dispensed with by the foreigners. Anyhow it will have a material effect against the interest of the agriculturists if such be taken without considering and examining the commodities that are generally exported or imported.

I have the honour to bring to the attention of the Commission that I have had an opportunity of discussing these questions with the zamindars of all classes of this district and my answers show their views. I am continuing my reasonings with remaining zamindars and I shall be able to put their views before the Commission at the time of giving my own evidence if needed at all.

In my opinion the question of export duties should entirely be left with the agriculturists who are directly or indirectly affected by this question. From their point of view an export duty on any commodity and in any form means nothing else than downright robbery.

Oral evidence, Lahore, the 6th December 1921.

2960. *President.*—*Q.* You are a Barrister-at-Law and a Zamindar of Lyallpur?

A. Yes, Sir.

2961. *Q.* From your note, I gather that you have consulted some of your brother zamindars in Lyallpur and that the views you have expressed are the views of those people whom you have consulted, and that you appear before us as a representative of these people?

A. Yes.

2962. *Q.* You say at the end that you were continuing your reasonings with remaining zamindars and that you would be able to put their views before the Commission. I hope you have done so.

A. To some extent.

2963. *Q.* May we know how many zamindars you have consulted?

A. I had only time to consult the minority.

2964. *Q.* You wish the Commission to understand that you are appearing before them as representing the agricultural interests of the Lyallpur district?

A. Yes. I may also state that another zamindar is coming here on behalf of the Sikhs. He was consulting the Sikh zamindars and I was consulting the Muhammadan zamindars, and in that case I have consulted the majority of Muhammadan zamindars.

2965. *Q.* The majority of the Muhammadan zamindars form the minority of the whole zamindars?

A. Yes.

2966. *Q.* You say that you are entirely opposed to any export duty whatsoever on wheat?

A. Yes.

2967. *Q.* Would you make any exception? You say in one place that you would make some exception when there was scarcity or when there was not adequate supply of food grains in India. Would you then approve of any steps which Government might take by means of export duties or by prohibition of export to retain the food grains produced in this country for the benefit of the people of this country?

A. Exactly so. In that case I will plead for prohibition of export.

2968. *Q.* Would you not regulate your policy according to the condition of scarcity in India either by means of total prohibition or by means of export duty as a special case to meet special conditions?

A. Exactly so. We do not want to make an exception in every case by levying an export duty. If there is a scarcity of foodstuffs in India, then the best policy in my opinion as a zamindar is to prohibit exports altogether.

2969. *Q.* You know famine conditions vary in intensity?

A. I have mentioned that in my answer.

2970. *Q.* Then total prohibition would be a more drastic measure than an export duty?

A. Exactly so.

2971. *Q.* Would you still advocate prohibition?

A. Then the condition is different. Prohibition will be according to the needs of the Indian population, and if there is some surplus, that may be also exported free of duty.

2972. *Q.* How would you regulate the quantity of export?

A. It all depends on the estimate of consumption of the province, and the surplus available.

2973. *Q.* What agency would you employ for determining the quantity of provincial consumption and carrying on export at the same time? You don't want the surplus to rot?

A. It is very difficult to answer this question off hand, Sir.

2974. *Q.* Are you afraid that even the imposition of an export duty might still enable the wealthier nations outside India to buy and carry away the foodstuffs at higher prices and would reduce the supply for the people of India?

A. Exactly so.

2975. *Q.* In case prohibition is necessary the result would be the lowering of prices in India?

A. If there is sufficiency of foodstuffs at one place and if we transport that amount from one district to another district according to need there will be a rise in prices.

2976. *Q.* Provided the total quantity available for consumption is less than what is required?

A. Exactly so.

2977. *Q.* If the total quantity is really in excess and it is a question of transport facilities then prices would fall?

A. Yes.

2978. *Q.* If there is an excess that should be transported to other countries?

A. I am in favour of total prohibition of all foodstuffs when there is a famine, scarcity or other unforeseen causes and the amount for consumption within the country is less than what is required.

2979. *Q.* So it is extremely difficult to regulate the exact amount of foodstuffs produced in the country and the total consumption within the country? There may be years in which the total production in India is insufficient to meet the food requirements of India? Would you have different measures to meet different conditions?

A. Yes.

2980. *Q.* If total prohibition results in the lowering of prices the agriculturist would not mind it?

A. They would to some extent.

2981. *Q.* If there is really great scarcity of foodstuffs in India then it does not affect the agriculturist?

A. Yes, it would because the prices would go up. In the beginning of this year, June-July, prices of wheat in Lyallpur and Rawalpindi showed a difference of about Rs.2 per maund. I sent some wheat from Lyallpur to Rawalpindi and the difference in prices worked to between Re. 1-8-0 to Rs. 2 per maund.

2982. *Q.* Your position is that in times such as we are considering, in consequence of a reduction in the total production prices would rise and prohibition would not affect the agriculturist at all?

A. In my opinion it won't affect the agricultural classes.

2983. *Q.* Assuming that it did, would they not be prepared to face it?

A. They will naturally mind it.

2984. *Q.* Do you think that the rise in prices in years of scarcity as affecting the agricultural classes would not give them all the benefits of a higher price because the quantity they would produce in these years would be smaller than the quantities they would have produced in normal years?

A. To regulate it it is desirable to levy some duty, but the result will be different. Supposing if one year an export duty is levied it might continue and become regular practice, therefore it might affect the agricultural classes. In special circumstances we would not object to an export duty, but not as a permanent measure.

2985. *Sir Maneckjee Dadabhoy.*—*Q.* I take it that you confine your replies to Questions Nos. 32 to 34. You are not dealing with any other questions?

A. I have had no time.

2986. *Q.* I am obliged to ask you that question because in your replies at an earlier stage you have expressed an opinion that "Free trade is natural, Protection is cruel and unnatural. For the peace and prosperity of the world it is necessary that the nations trade together, for the people of every nation to enjoy the best that the world in its entirety offers, it is necessary that the economic laws be followed by each in production and distribution. Free trade opens all ports, welcomes from every land what it has to spare and gives in exchange what it has in excess of." Does this refer to the wheat trade particularly, or is it a general remark?

A. This is a principle of economic history. Now I apply it only to wheat.

2987. *Q.* The principle which you have so clearly enunciated would necessarily imply that the whole world was in favour of free trade?

A. I have confined myself to wheat only.

2988. *Q.* The question as to raw products being taxed with export duty has not been considered by you?

A. I have answered that question, but very incompletely, not being well-versed in the matter.

2989. *Q.* Then you think that the necessity for an export duty in regard to other raw materials is not a well-considered opinion?

A. I expressed my opinion there and I am ready to maintain it.

2990. *Q.* I take it that your view is that in respect of such of those materials which can be manufactured in India into finished goods you would recommend the imposition of an export duty?

A. It all depends whether we can get that manufactured article from other countries at a lower price than if we manufacture that article from our own material.

2991. *Q.* If there is a possibility of articles from other countries being dumped in this country then would you recommend an export duty so that the raw articles may be retained here for manufacture too?

A. I have stated my view in my last reply.

2992. *Q.* I understood you to say that you would recommend the imposition of an export duty in respect of articles which are likely to come into competition with those manufactured in this country?

A. Supposing we produce plenty of raw material and if it is not exported to other countries on account of an export duty then the zamindars would suffer loss. Therefore according to the needs of the country some of it may be retained. It is not only wheat that the zamindars cultivate and produce. All our raw material is produced to some extent by the cultivators, the zamindars, and I am here simply to give you my opinion from the zamindar's point of view.

2993. *Q.* Cotton is a raw material. Have you any objection to an export duty being levied on cotton?

A. I should think there ought not to be any duty. As a matter of fact we do not produce sufficient cotton.

2994. *Q.* Take the question of the whole of India; abundant cotton is being grown in the Central Provinces and Bombay?

A. I am confining myself to the Punjab alone.

2995. *Mr. Mant.*—*Q.* Are you a zamindar yourself?

A. Yes, Sir.

2996. *Q.* Do you cultivate land as well?

A. Cultivated under my direction.

2997. *Q.* You are personally interested in the price of produce?

A. Yes.

2998. *Q.* I understand your position as regards an export duty on wheat is that such a duty would really reduce the price for the zamindar?

A. Yes.

2999. *Q.* Would you get a smaller world price if there is an export duty on wheat?

A. Yes.

3000. *Q.* Would you favour export in ordinary times when there is no scarcity?

A. Yes.

3001. *Q.* When there is scarcity you would resort to a prohibition of export according to the needs of the country?

A. Yes.

3002. *Q.* When there is a scarcity in this country would not the price in the Punjab be higher than the world price of wheat?

A. When there is a scarcity in this country on account of famine then we shall not export our wheat. We get sufficient price in the country itself.

3003. *Q.* You cannot export your wheat when there is a prohibition or when the price is higher than the world price?

A. In ordinary cases when there is scarcity of wheat in our own country we shall not be exporting it and thus prohibition is unnecessary.

3004. *Q.* The only other question I want to put to you is that you say that other products would take the place of wheat if an export duty was put on wheat and prices reduced?

A. Exactly so.

3005. *Q.* What other crops would take the place of wheat?

A. We would grow barley, grams; these two catch crops we could substitute for wheat.

3006. *Q.* Are they rabi crops?

A. Yes.

3007. *Q.* Cannot cotton be substituted for wheat crop? Suppose cotton paid you better than wheat?

A. A zamindar would grow the crop which would serve him as food throughout the year. Cotton depends more on its sellings. If cotton fails to fetch a good price in any particular year the zamindar would suffer.

3008. *Q.* Does the Punjab ordinarily produce more food than is required for her consumption?

A. She exports a good deal.

3009. *Q.* Suppose the price fetched is much less?

A. Then we would substitute another crop—would grow gram—oilseeds.

3010. *Q.* Is there a considerable feeling among the zamindars over an export duty?

A. Each and every zamindar I have come across feels it. The majority of the Mohammadan zamindars of Lyallpur whom I met felt that an export duty will be nothing but a penalty for the zamindars; such a policy would be extremely unpopular from the zamindar's point of view.

3011. *Mr. Jamnadas Dwarkadas.*—*Q.* Mr. Ghulam Rasul, this statement that you have made concerns only your opinion on the question of export duties? You don't give any opinion on the question of free trade or Protection?

A. I have made an attempt to answer the questions as they are put in the question form.

3012. *Q.* Are you prepared to maintain that free trade means peace and plenty for all men?

A. That is a question of principle. I have got a very small knowledge of Political Economy.

3013. *Q.* Your answers are only concerning zamindars?

A. Exactly so.

3014. *Q.* In answer to Question No. 32 you say "But in certain cases some duty on raw material may be advisable. By imposing taxes some raw material will be retained in India, such retention will encourage Indian capitalists to open factories for manufacture of articles out of that raw material ...". Do you think that it is desirable that these raw materials which may be used for manufacturing purposes in the country should be subjected to an export duty?

A. I was dealing with this question from different points of view. I have given my reasons and according to these it would be detrimental to the interest of the zamindars to impose export duties on these raw materials as I already submitted.

3015. *Q.* Raw material by itself can be of little use. Suppose you export that raw material and it goes to foreign countries and it comes back with only its shape altered and you have to pay an enormous price for it?

A. The price falls only on the consumer.

3016. *Q.* Would it not be better to manufacture your raw material and sell it to the consumer cheaper?

A. These manufactured articles are not used by the zamindars to a large extent; they make their own needs; except sugar very little manufactured articles of foreign import are used by them.

3017. *Sir Montagu Webb.*—*Q.* Can you tell me if the zamindars whom you represent would welcome the starting of flour mills or biscuit factories in the Punjab?

A. I should think so.

3018. *Q.* Do you think that they would even be prepared to assist in the encouragement of such industries by imposition of a slight export duty?

A. It is rather difficult to answer this question because it is hypothetical.

3019. *Q.* Can you give me your own personal opinion. I want to know whether agriculturists desire to encourage these industries by incurring slight sacrifices?

A. In my opinion if we begin with such slight sacrifices it might lead into big ones. Therefore zamindars are always afraid of such duties, for instance, the enhanced revenue duties lately imposed. We have got bitter experience.

3020. *Mr. Jamnadas Dwarkadas.*—*Q.* Your zamindars' motive is self-preservation?

A. Exactly so.

3021. *Q.* Pursuing Sir Montagu Webb's question about flour mills and biscuit factories, do you think that the starting of flour mills, etc., would help in the country's economical progress?

A. Help in what way?

3022. *Q.* Help indirectly if not directly by making wheat into flour?

A. Yes, both the flour mills and biscuit factories would help the industries of the province.

3023. *Q.* I understand you are against the imposition of export duties on foodstuffs?

A. Yes.

3024. *Q.* You won't object to an export duty on jute or tea?

A. No, not at all; we don't mind, because that helps my country.

3025. *Q.* How do your zamindars invest their capital?

A. They buy more land; they do not go for any other sort of investments. Since 2 or 3 years they are making some money out of the wheat trade and going in for more land.

3026. *Q.* Are there large tracts of land available for cultivation?

A. Plenty of it; hundreds and hundreds of acres of land are lying fallow.

[No. 3027. Has been cancelled.]

Witness No. 19.

Mr. D. PANT. B. Com., Lecturer on Commercial subjects in the Government Institute of Commerce, Lahore.

Written statement, dated 24th October 1921.

3028. *Q.* 1. I favour a policy of protection.

3029. *Q.* 2. I consider that a tariff provides a better form of taxation for India than direct taxation, because: (*a*) direct taxation has reached a limit beyond which it would be difficult to push even in times of emergency (the good financier always keeps an elastic limit); (*b*) the cost of collection is great; (*c*) it is felt by the people for they are unable to regulate it.

Therefore, I would prefer an increase in customs to an increase in direct taxation.

3030. *Q.* 3. The basic principles underlying the existing tariff policy are correct. I would suggest the rate of taxation on motor cars, jewellery and silk goods to be enhanced from 20 to 40 per cent. and on tobacco and liquors 25 per cent. *more.*

3031. *Q.* 4. Yes. Because you are allowing the necessaries free, the instruments of production, machinery, iron, etc., at a slight rate, and taxing the luxuries at a very high rate. In this connection I may mention that levying an export tax on raw leather was a short-sighted policy, because India was not ripe to take advantage of it and, therefore, England benefited at the cost of this country.

N.B.—I have answered the question on the assumption that the Government is not going to adopt the Protection policy.

3032. *Q.* 5. The existing tariff policy has made India a dumping ground for the products of the West and of Japan. The policy has a paralysing effect on the industries of this country.

In the future, it would be difficult for the Indian industries to develop and it would make it well-nigh impossible for new industries to come into existence for infant industries thrive only in economic nurseries.

3033. *Q.* 6. No. For some commodities it may be all right, *e.g.*, cotton; but this will never do for infant industries like soap, leather, woollen goods, silken goods, etc.

3034. *Q.* 7. I favour the imposition of excise duties only from revenue standpoint, and that also on articles which can, on equal terms, well compete with the imported goods. I distinctly maintain that the home manufacturer has a right to be protected against the exploitation of the foreign manufacturer.

3035. *Q.* 8. These duties will raise the price.

3036. *Q.* 9. The tariff should be framed with a view to develop Indian industries. The following will be the advantages:—

(*a*) the conversion of the raw materials into finished goods resulting in a larger margin of profit;
(*b*) increase in the monetary receipts from the foreign countries;
(*c*) organisation of labour, introduction of division of labour resulting in high efficiency of production.

3037. *Q.* 10. In the sense that the whole civilised world forms one self-supporting group, India cannot be a wholly self-supporting country though to a very large extent she can supply her needs. India will have to depend on the other countries for the following:—

(*a*) Machinery, cars, and other manufactured iron goods, and
(*b*) Articles de luxe, *e.g.*, cigarettes cigars, liquors, laces, colour, medicines, glass commodities, etc.

3038 *Q.* 11. I would favour the imposition of protective duties only on some imported manufactures.

3039. *Q.* 12. Those industries which have a chance of growing up in this country, *e.g.*, soap, leather, paper, etc. The industrially advanced countries have got a lead which affects the growth of indigenous industries, and, therefore, handicap the foreign country so that the products of that country do not undersell the Indian goods in the Indian market.

3040. *Q.* 13. Most certainly. Give protection only to those industries which have a chance of thriving. I approve of a discriminating protection policy, and that even for infant industries.

3041. *Q.* 14. I would most certainly confine Protection to industries which after a period will not need the crutch. There is no sense in giving continuous assistance, for that will degenerate the industry and the people connected with it.

3042. *Q.* 15. The question can only be discussed from a practical standpoint as the measures suggested will depend on the commodities themselves. Economic history and the commercial policy of different countries will aid us in avoiding errors which they committed in their experimental stage.

3043. *Q.* 16. India is essentially an agricultural country. Agriculture is a seasonal industry. A large part of the people engaged in this industry lie idle for the major part of the year and, therefore, hand industries could be a means to increasing their income. Cotton handloom industry has a great future if well controlled and directed. The industry does not need any prop if it confines itself to a certain line wherein it shall have no fear of factory competition.

3044. *Q.* 17. Not in the near future. By passing measures the tendency to a certain extent would be checked. We shall have to study the American acts and the British.

3045. *Q.* 18. Yes, some of the firms might establish themselves in India. But that would not be in a large extent, for howsoever mobile the capital may be, it is not possible to shift the fixed capital. Further, they shall have to recruit labour from here as the cost of moving labour from England to this country would be prohibitive. Put no hindrance to the inward movement.

3046. *Q.* 19. Protection to raw material should not be given. Conflicts of this nature would arise but they can be easily adjusted.

3047. *Q.* 20. Ordinarily the import duty will be passed on to the consumer. Whether whole or any part will depend on the nature of the commodity.

3048. *Q.* 21. The rise will not be permanent for the internal competition will reduce the price.

3049. *Q.* 22. Most assuredly.

3050. *Q.* 23. This question has little significance as far as this country is concerned, for in normal years she does not import much of necessaries if we exclude cloth. It is difficult to draw a distinction between luxuries and necessaries specially when they are in the circumference of their sphere. I would class in the latter cloth, kerosene oil, medicines, etc.

3051. *Q.* 24. The increased cost in no case can be covered by a rise in wages or salary; (*a*) will be least hit; (*b*) will come after (*a*); and (*c*) will be most hit.

3052. *Q.* 25. Countries adversely affected by Protection would retaliate, but this will go against them for they shall have to levy an import duty on raw materials. As our imports would be decreased, so our exports could be lessened.

3053. *Q.* 26. Not at first, but later on, yes.

3054. *Q.* 27. That is a thin end of the Imperial Preference wedge. I am opposed to it because it unnecessarily irritates other countries who are outside the favoured group. Further, it multiplies the work several times. Makes the tariff machinery so cumbersome.

3055. *Q.* 28. The tariff will have to be more detailed than it is.

3056. *Q.* 29. Yes.

3057. *Q.* 30. The proper function of the export

duty is to eat up the foreigner and it only succeeds in the case of these articles wherein we hold the monopoly of production. If there is a good demand for this commodity outside the country, then export duty comes in very handy to transfer the money in the foreigner's pocket into our own. It would be primarily levied for the purpose of raising revenue though a part of it should be given to developing those industries which are so taxed.

3058. *Q.* 31. Generally the effect of export duties on the export trade is to contract the volume of the export trade. Under the two conditions mentioned in the answer to Question No. 30 an export duty can be imposed without any injury to the trade. Tea, jute, rice have been well selected.

3059. *Q.* 32. Imposition of an export duty on a raw material will considerably cut off its demand outside the country. And if the country is not ripe enough to turn that into finished goods, then the producers of the raw material will be hard hit, and that would mean diminished production in the next year. Therefore to safeguard agricultural interests, each case should thoroughly be investigated before any tax is imposed on raw materials. If their due utilisation in the country is possible then alone the duty may be levied.

3060. *Q.* 33. As long as India has to meet its obligations in the London market, so long it will not be advantageous to India to impose an export duty on foodstuffs. The agricultural interests will suffer and the quantity of foodstuffs produced in India will diminish.

3061. *Q.* 34. Yes. But that would depend on an analytical survey of all the factors. The very fact that they have taxed our manufactured goods will not be a valid ground to tax our raw materials to that country, for it may be possible that we have ourselves taxed their goods. Even then we shall have to take in consideration whether after taxing the raw material we can make that country buy it, for if the country switches on its demand to some other country and gets it satisfied then the whole purpose of retaliation fails.

3062. *Q.* 35—42. On general grounds I am opposed to the idea of Imperial Preference, for, in the Empire, India is the only country which industrially occupies a very low position. The result will be that it shall have to part with its raw materials on easier terms, and the other countries comprising the Empire will be benefited. Further, there will not be much chance for India to develop her industries under this system. This will materially affect the balance of trade.

Oral evidence, Lahore, the 6th December 1921.

3063. *President.*—*Q.* Are you a Lecturer on Commercial subjects in the Government Institute of Commerce, Lahore, Mr. Pant?

A.—Yes.

3064. *Q.*—I see that you have written a book?

A.—Yes. "Socialism: Its Embryonic Development in India."

3065. *Q.*—You say in answer to Question No. 3 that "the basic principles underlying the existing tariff policy are correct. I would suggest the rate of taxation on motor cars, jewellery and silk goods to be enhanced from 20 to 40 per cent., and on tobacco and liquors 25 per cent. *more*." What are your reasons for advocating this increase?

A.—Tobacco is a luxury which is generally detrimental to public health; an enhanced duty on tobacco will compel people to give up this injurious habit which will have a beneficial effect on health. The same remarks applies to liquors. It is only the rich people that can afford to buy motor cars at great cost, so it won't matter much if they pay 200 more for a car which cost them, say, 3,000 or so.

3066. *Q.*—In the second part of your answer to Question No. 4 you say "In this connection I may mention that levying an export tax on raw leather was a short-sighted policy, because India was not ripe to take advantage of it, and therefore England benefited at the cost of this country." Will you please explain your position?

A.—I would get first class factories to convert the raw materials into finished goods. As far as I know the country suffered greatly and many businesses failed. The leather could not be turned into finished goods. It ought to have been seen that the country was ripe enough to take advantage of the duty before it was imposed. The best way is to start certain factories as at Cawnpore and some other places here. If we had a large number of factories here in India, of course, it would have been all right.

3067. *Q.*—That is to say, your idea is that Protection should be given to such industries as are ripe to take advantage of such protection?

A.—No. My intention is that Protection should be given after thoroughly studying the conditions, and after seeing that the materials can be utilised.

3068. *Q.*—That is what I am asking you. You would give Protection only in such cases as the trade or industry is ripe to take advantage of it for manufacturing purposes and establishing successful industries.

A—.Yes.

3069. *Q.*—In answer to Question No. 5 you say "The existing tariff policy has made India a dumping ground for the products of the West and of Japan. The policy has a paralysing effect on the industries of this conutry." Will you explain what you mean?

A.—Japan and England built up their industries by means of Protection. Once they developed their industries it was quite easy for them to throw their goods on the market. During war time we could not get very many things in our country. Japan came in very handy, and she succeeded in dumping her goods into India. India had not developed her industries, and therefore she could not take advantage of that opportunity. These countries built up their industries by Protection. We have never been given the opportunity to build up our industries by Protection.

3070. *Q.*—Therefore you would advocate Protection to our industries?

A.—Yes.

3071. *Q.*—You say in your answer to Question No. 6 "For some commodities it may be all right, *e.g.*, cotton; but this will never do for infant industries like soap, leather, woollen goods, silken goods, etc." You go on in your answer to Question No. 7 to say "I favour the imposition of excise duties only from revenue standpoint, and that also on articles which can, on equal terms, well compete with the imported goods. I distinctly maintain that the home manufacturer has a right to be protected against the exploitation of the foreign manufacturer." Do I understand that you would favour countervailing excise duties, that is to say, excise duties imposed to counteract the effect of revenue customs duties? Do you approve of the reduction of the amount of Protection that the industries secure?

A.—For cotton I would approve, but not for others.

3072. *Q.*—Even in the case of cotton there is an excise duty of 3½ per cent. Therefore the benefit that the industries secure is reduced to 7½ per cent. Will you approve of that policy?

A.—I do not know. I have not got figures. I believe the cotton industry in India can stand competition against Lancashire and Manchester. We are in fact producing commodities that are demanded in India and which are not manufactured in the mills of Lancashire and Manchester.

3073. *Q.*—You say you have no direct knowledge?

A.—Not about the cotton industry.

3074. *Q.*—Please refer to your answer to Question No. 10. You do not think it is possible for India, under adequate protection, to manufacture any of the articles you there refer to?

A.—No. Articles of luxury mostly go by name. For instance, the Scotch Whisky produced in Scotland is a special whisky, and is in great demand. The whiskies that other countries produce are not so much in demand in the market. In that sense we may not be able to produce commodities of the same type.

3075. *Q.*—Do you realise that if new industries with standard marks have acquired a certain amount of reputation, they ultimately succeed in successful competition?

A.—Not always. For instance, French wines are very famous. I do not think that Great Britain can compete with France in that respect.

3076. *Q.*—We are not dealing only with liquors. For instance, is there any inherent impossibility for India to manufacture motor cars?

A.—No, not at all. No attempt has been made in India to manufacture them.

3077. *Q.*—As regards cigars, do you think that India cannot manufacture them?

A.—We are not growing the type of tobacco generally required for their production.

3078. *Q.*—Can we produce it in the near future?

A.—I believe we can produce it in the near future.

3079. *Q.*—India cannot produce glass?

A.—As yet I do not think India is producing.

3080. *Q.*—You do not think that she will ever produce?

A.—Not now, but in the near future.

3081. *Q.*—It can ultimately do so?

A.—Yes.

3082. *Q.*—From your answer to Question No. 27 I take it you are against Imperial Preference?

A.—Yes.

3083. *Q.*—Then as regards your answer to Question No. 34. Supposing we were manufacturing a particular raw material which we were producing in India and supposing a country imposed a heavy import duty on our manufactured article from the particular produce but admitted the raw product into their country free, in order that they might manufacture this raw material themselves, and prevent our manufactured article made from that raw material to be imported into that country, would you not then for the purpose of protecting our manufacturing industry in India, take some measures of retaliation against the export of that raw material to that country?

A.—In this case we can do so, because we are producing a commodity which no other country produces.

3084. *Q.*—I do not go so far as that. I would say that if other countries produce it at a competitive price, would you then not give Protection to our industry?

A.—In this particular case I would.

3085. *Sir Maneckjee Dadabhoy.*—*Q.* In answer to Question No. 3 you have recommended increased duties on motor cars and an increased duty of 25 per cent. on tobacco and liquors, and you have to-day suggested that you would impose these for revenue purposes. Have you considered the effect of these extremely enhanced duties on revenue? Will they not lead to diminution?

A.—I think it will in the long run be advantageous to Government, because if people give up tobacco and liquors I think there will be fewer police constables required and a fewer number of litigations, and a number of things like that.

3086. *Q.*—What about motor cars?

A.—I am not taking the question from the point of view of Government. Motor cars are for certain people, of course, necessaries, but for a large number of people who use these cars they are luxuries. They will be used of course by rich people, and I do not think they will suffer by the duty, or that our industries will suffer.

3087. *Q.* We were told yesterday by a witness that the duty on motor cars should be reduced as they are necessaries of life?

A.—Then, of course, his income must have been very high.

3088. *Q.*—May I understand from your answer to Question No. 4 that you are altogether opposed to any export duty on hides and skins?

A.—Yes, for the present.

3089. *Q.*—You do not want anything?

A.—No. Not at all.

3090. *Q.*—I would like you to explain your answer to Question No. 16 where you say that the handloom industry does not need any prop if it confines itself to a certain line wherein it shall have no fear of factory competition.

A.—For instance, the cotton handloom industry at present is only producing *Khaddar*, and the mills have not started producing the type of cloth that is produced in the handlooms, and if the handlooms confine themselves to this they need not fear competition.

3091. *Q.*—What do you mean by your remarks in your answer to Question No. 18?

A.—For instance, there was a rumour that the Sunlight Soap Company was to start a branch in India.

3092. *Q.*—You mean fixed capital in buildings and machinery? There is always a certain amount of liquid capital?

A.—That won't be disadvantageous to the country because the shifting of capital from England to this country would mean a proportionate displacement of capital in England itself which would result in greater unemployment.

3093. *Q.*—Please see the penultimate sentence of your answer to Question No. 23. I should like to know what your idea is. Do you want a duty on the articles you refer to?

A.—I say they come under necessaries.

3094. *Q.*—Kerosene oil you include in the class of luxuries?

A. Yes.

3095. *Q.*—This is the first time this view has been put before us.

A.—Lighting does come under necessaries.

3096. *Q.*—So you include kerosene as one of our necessaries?

A.—Yes.

3097. *Q.*—You would not put any increased duty on it?

A.—No.

3098. *Mr. Jamnadas Dwarkadas.*—*Q.*—In answer to Question No. 24 you state "The increased cost in no case can be covered by a rise in wages or salary." Don't you think the natural effect of a general increase in price is an increase in the cost of living, and that with the cost of living rising higher there is always a demand for higher wages?

A.—But it is not given proportionately. If there is a rise of 100 per cent. in price the men get an increase of 40 per cent.

3099. *Q.*—Take the wages paid in the mills in Bombay before the war and take the present wages. What do you think?

A.—Before the war the value of the rupee expressed in sterling was 16 annas. Now I think it would be about 6 annas.

3100. *Q.*—So it is has gone up three times?

A. —Yes.

3101. *Q.*—Do you know to what extent the wages have gone up? Have they gone up by 300 per cent?

A.—I do not know. In certain cases only 150 to 200 per cent.

3102. *Q.*—Those would be solitary examples that you are taking?

A.—May be, but not in every department.

3103. *Q.*—We are talking of the mills.

A.—I do not think the wages have gone so high in Cawnpore and even in Bombay generally you will find that the wages do not keep to the rise in price.

3104. *Q.*—But you have another factor. As soon as the cost of living goes up, generally as a rule, there is a demand for higher wages. Labour in India is wide-awake, and therefore this demand will be promptly met. Is it not likely?

A.—Yes.

3105. *Q.*—In your answer to Question No. 27 you say "That is a thin end of the Imperial Preference wedge. I am opposed to it because it unnecessarily irritates other countries who are outside the favoured group." What is it exactly that you mean?

A.—I will read to you a passage.

3106. *Q.*—Please do.

A.—"There is a glorious future that awaits Indian industrialism not under the Imperial Preference régime which would, do more mischief to Indian trade than anything else but under the National system of Political Economy. Imperial Preference only means this: that as far as trade within the Empire is concerned we will trade on an equal basis, but if we trade outside the Empire we will have the right of manipulating tariff. Excepting India most of the countries within the Empire are highly organised and developed and as most of our trade is with the Empire we will simply act as

hewers of wood and drawers of water. We will supply the raw materials only for we will be in no position to build our industrial machinery. For this we require to be guided by List who says that every country must have first free trade, then Protection, and then again free trade. We had never any Protection, but free trade all along. That is why we could not develop our industries. And again as he advises we ought to have and we must have Protection for our infant industries which we cannot have under the régime of Imperial Preference. So as a first instalment we must have control over our purse. That is the essential condition of our Industrial advancement." That is what I mean by Imperial Preference.

3107. *Mr. Mant.*—*Q.*—You are a Bachelor of Commerce?

A.—Yes.

3108. *Q.*—Does it include a study of Political Economy?

A.—I have specialised in Advanced Economics. I have put in three years.

3109. *Q.*—You took up Political Economics.

A.—Yes. I took up Political Economics.

3110. *Q.*—I do not quite understand you when you say that you favour a policy of Protection and also approve the basic principles underlying the existing tariff. The basic principle of the present tariff is free trade. You say that you are not in favour of free trade. Could you explain that?

A.—When I wrote that I had in my mind the idea that necessaries should not be taxed, and that luxuries should be taxed as much as they can bear. Machineries and other things should be taxed very lightly because they encourage our industries. That is what I meant by saying that the basic principles underlying the existing tariff policy are correct.

3111. *Q.*—Do you mean that you have changed your mind since you wrote that?

A.—Now the idea is to give artificial support to certain industries for protecting them.

3112. *Q.*—I do not quite follow you. You mean you would only tax luxuries and that you would not tax manufactures?

A.—No. We should. The first thing we should do is to protect the necessaries. Luxuries will come after.

3113. *Q.*—I am afraid I do not quite follow you. I understand you to say that you approve of the basic principles of the existing tariff because it puts a light duty on necessaries and a high duty on luxuries?

A.—Yes.

3114. *Q.*—You won't put a protective duty on necessaries. We don't import large quantities of necessaries from other countries and still you would not put protective duties on necessaries?

A.—If it is required for a particular industry, I would like to put it, otherwise not. It is not wholesale Protection that I recommend. It is discriminating Protection that I recommend.

3115. *Q.*—By manufacture you mean any necessary article which can be manufactured in this country?

A.—Yes. That is what I meant.

3116. *Q.*—In your answer to Question No. 4 you say that England benefited at the cost of this country from the export duty on hides and skins. Why do you say England benefited? We were told at Karachi by the shippers that nobody derived any benefit from this duty.

A.—Certainly this country did not derive any benefit. If there was any raw hide exported it was sent to England.

3117. *Q.*—You cannot say that you were seriously hampered by the duty?

A.—I am certain that this act did not benefit Indians.

3118. *Q.*—So you say that it has benefited England. You could not explain it?

A.—No. What I will say is that England gained by the leather which was sent out to England.

3119. *Q.*—If there were no duty it cannot be cheaper to England than if there was a duty. How did it benefit England to put on an export duty?

A.—Because there was the rebate.

3120. *Q.*—You mean that preference benefited England?

A.—Yes.

3121. *Q.*—Not paying of duty?

A.—No.

3122. *Q.*—I would like you to explain what you mean by the phrase "increase in the monetary receipts from the foreign countries" in your answer to Question No. 9.

A.—We have to pay annually to England a certain sum of money, and we import from England many manufactured goods. If you could manufacture many of these commodities here, then England will have to pay more money to us than normally we receive from that country on account of our exports.

3123. *Q.*—Do you mean you want to be paid in money?

A.—Of course we are paid in commodities, but if we manufacture the commodities ourselves then we must be paid in money. There may be book adjustment, there may be cash adjustment.

3124. *Q.*—You want to increase the money payments of this country?

A.—Yes. If we get many of our goods here, of course our imports will diminish to this extent, and then we shall receive a larger sum than we receive normally.

3125. *Q.*—Do you think it is preferable to increase the receipt in specie than in money?

A.—Yes.

3126. *Q.*—Why?

A.—Because that will give us more purchasing power.

3127. *Q.*—I do not understand why it will increase your purchasing power.

A.—There will be more of wealth per head of the people and more capacity to buy goods than exists at present.

3128. *Q.*—Why will they be richer with money? Exports are always paid for by imports.

A.—The difference is always adjusted.

3129. *Q.*—The main object is to keep the money payments very small indeed. The world has found that it is best for them to obtain their requirements by what they produce, and not pile up money by accepting payments in bullion or gold for excess exports. Do you think that it would be an advantage to India to absorb a much larger proportion of bullion and specie?

A.—Yes, than it absorbs to-day.

3130. *Q.*—In your answer to Question No. 19 you say that no Protection should be given to raw materials. What are you going to protect?

A.—Manufactured commodities.

3131. *Q.*—Can you tell me what is the difference between a raw material and the manufactured commodity?

A.—It is only a change of shape. There is increased utility in the manufactured goods as compared with the raw material.

3132. *Q.*—But the majority, the far greater majority, of manufactured goods are the raw materials of another industry. The term is really relative. Take sulphuric acid, for instance. It is a manufactured product, is it not?

A.—Yes.

3133. *Q.*—It is also the raw material of a very large number of industries. Would you protect the manufacture of sulphuric acid?

A.—Sulphuric acid I would not treat as a raw material.

3134. *Q.*—You would not?

A.—No.

3135. *Q.*—Take the case of iron and steel. Is that a manufactured article or raw material?

A.—If it is in the shape of ore, it is a raw material.

3136. *Q.*—If it is in the form of steel you call it a manufactured commodity?

A.—Yes. Something has been done to convert the raw material into finished goods.

3137. *Q.*—Supposing you are manufacturing locomotives, will not steel be the raw material?

A.—For locomotive industry?

3138. *Q.*—Yes.

A.—I would class that as manufactured goods.

3139. *Q.*—Steel?

A.—Yes.

3140. *Q.*—I don't quite know what you mean.

A.—I mean in the raw state. It is in the natural condition, and after that ore is crushed and worked and changed into steel, and then it becomes finished

product and may enter into a number of industries. Raw steel ore will come under raw material.

3141. *Q.*—You mean by raw material some material which has not passed through any manufacturing process?

A.—Yes.

3142. *Q.*—That is really what you come to?

A.—Exactly, that is what I mean.

3143. *Mr. Seshagiri Ayyer.*—*Q.*—As regards the question just now put by Mr. Mant regarding your statement that the basic principles underlying the existing tariff policy are correct, I believe what you mean is that in so far as the Government of India are taxing luxuries more largely than they tax other articles, to that extent you approve of the policy?

A.—Yes.

3144. *Q.*—So far as Government is concerned, I do not think it can be said to have either a free trade or a protectionist policy at present. It has got excise duties on the one hand and customs duties on the other, and you cannot say that Government is wedded to any particular policy, free trade or Protection. You approve of the extent to which necessaries are taxed?

A.—Yes. That is what I meant.

3145. *Q.*—Please see your answer to Questions Nos. 35—42. You say there "On general grounds I am opposed to the idea of Imperial Preference, for in the Empire India is the only country which industrially occupies a very low position." I believe you have in mind the fact that the largest quantity of imports which we get from the United Kingdom, namely 89 per cent., will have to be taxed very lightly if Imperial Preference is to be real, and there will be no use at all in imposing any tax upon the other smaller quantity which is coming from other countries?

A.—That is what I mean.

3146. *Q.*—And this would stand in the way of our entering into trade treaties with other countries. If you want to have your young men educated to know secrets of trade, if you have a free hand you can enter into trade treaties with foreign countries, but if you have Imperial Preference you cannot have that. You have considered this point also?

A.—Yes.

3147. *Q.*—It would also result in retaliation by other countries against us?

A.—Yes.

3148. *Q.*—You are not going to have fiscal autonomy if you are going to have Imperial Preference?

A.—Yes.

3149. Q. —The last sentence of your written statement reads "This will materially affect the balance of trade." That means, in normal years we have a balance of trade in our favour. Even after taking into consideration the exports and imports we have got a balance in our favour, but this system cannot go on for ever. Our lands are getting less fertile and we have to build up our industries and we cannot do this in any half-hearted way. That is your argument?

A.—Yes.

3150. *Q.*—How will Imperial Preference affect us?

A.—We shall be merely producing raw materials; all our industries will be crushed and we shall be primarily dependent on countries composing the British Empire. After 40 or 50 years we shall have no balance of trade in our favour, and we may have to borrow to settle our accounts with others.

3151. *Mr. Coyajee.*—*Q.*—You favour Protection mainly on the basis of the infant industry argument. Of course you would not extend Protection to all the infant industries?

A.—Only the most deserving.

3152. *Q.*—And there would be a committee investigating how they get on stage by stage?

A.—Yes.

3153. *Q.*—Now in answer to Question No. 9 you say that the tariff should be framed with a view to develop Indian industries. How would you adjust the claims of revenue and Protection? Suppose that by putting a 10 per cent. duty the maximum revenue would be obtained, and that only 20 per cent. duty would protect your industries, what would you do?

A.—What I mean is that the financiers should keep only one thing in view, namely, development of industries.

3154. *Q.*—So you would keep both in view?

A.—Neither finance nor Protection should be lost sight of.

3155. *Q.*—In answer to Mr. Jamnadas you said that generally wages lag behind prices. In Question No. 24 you say that the middle class consumer will be most hit. So you think that the middle class consumer will be called upon to make the biggest sacrifice?

A.—Yes. That is what has happened in practice. They have got 20 per cent. increase in salaries while the prices have gone up by 200 to 300 per cent.

3156. *Q.*—In answer to Question No. 32, you say you are of opinion that export duties on agricultural raw material should be sparingly resorted to. Do you think that ultimately there might arise antagonism between agriculture and manufacture?

A.—Yes. There may be great reduction in production.

3157. *Q.*—You don't know anything about the export duty on hides and skins, or whether the export duty has restricted production?

A.—No, I have no knowledge.

3158. *Q.*—In answer to Question No. 34 you say that for retaliatory purposes we should not use export duties on agricultural raw material?

A.—Yes.

3159. *Sir Edgar Holberton.*—*Q.*—As regards your answer to Question No. 23, could you give me some instances of luxuries that are not in the "circumference of their sphere"?

A.—Yes, watches.

3160. *Q.*—Please explain?

A.—There may be certain commodities which may be a necessary for a rich man but will not be a necessary for a poor man. For instance, for a very rich man a carriage may be a necessity, whereas for a poor man it may be a luxury.

3161. *Q.*—Your idea is the richer you are the more necessitous you are and the poorer you are the less necessitous you are. You say the richer man is more necessitous. When I asked you to explain something which is not in the sphere you said watches. The question is whether watches would come under luxuries?

A.—If it belonged to a rich man, it will not be a luxury, but if it belonged to a poor man it will be a luxury.

3162. *Q.*—If it belonged to a man in the field you will call it a luxury, but if it belonged to a man in a big house you will call it a necessity?

A.—Yes.

Witness No. 20.

The Hon'ble LALA HARKISHEN LAL, Minister of Agriculture, Punjab, Lahore.

Written statement, dated the 5th December 1921.

3163. I am neither a free trader at the present stage of world's development nor am I an out and out protectionist. If one must use a label for one's economic opinions so far as international trade is concerned I would like to use the word "discriminator."

3164. *Q.* 1. I do not see any objection in levying customs duties for the purpose of obtaining revenue.

3165. *Q.* 2. Tariff provides some features of taxation which other forms might lack: *e.g.*, cost of collection is small; its distribution is over a large area of consumers,

and affects Indian States within British India. Answer to the second part of the question is that increase in customs would be preferable to direct taxation, in so far as the international trade could bear; guaranteeing unrestrained flow of commodities.

3166. *Q.* 3. Not in a position to answer.

3167. *Q.* 4. The existing principles, I understand, to be the following:—

(*a*) Tariff to be free trade tariff.
(*b*) Its purpose to be only revenue.
(*c*) Luxuries to be taxed more heavily than necessities.
(*d*) Agricultural and manufacturing requirements to be favoured.
(*e*) English interests to be secured against Indian Competition.
(*f*) So far as exports are concerned raw materials only to be taxed.
(*g*) Latterly Imperial Preference with reference to the export of hides and skins has been introduced.

The advantage of this policy may be summed up by saying " everybody is happy excepting the Indian manufacturer and the Indian patriot whose number has been small in the past."

3168. *Q.* 5. The existing tariff policy has left the Indian industries in the condition of a baby without a nurse and if the policy is further continued the effects would be like leaving the nurseless baby without shelter on the top of the Himalayas.

3169. *Q.* 6. Answer to this question is in the negative. Exception, however, may be made in the case of special industries for which India presents special advantageous ground. But even in this case the excise duty should be reasonable and for revenue purposes only.

3170. *Q.* 7. Need not be answered in view of above opinion.

3171. *Q.* 8. Consumer must in all cases pay, if not always immediately, at least in the long run.

3172. *Q.* 9. Answer to this is covered by my answer to Question 1. If a particular industry is treated in the way suggested and thereby fostered the advantages would be —

(*i*) Increase in the national wealth or lesser decrease.
(*ii*) Employment for labour.
(*iii*) Independence of economic internationalism.

3173. *Q.* 10. I look forward to a time when India will produce articles required in all departments of human needs; but whether India would then be independent in all its requirements would depend mainly on: (*a*) population, (*b*) standard of living and (*c*) the fashions of life.

3174. *Q.* 11—14. I contemplate new industries to pass through three stages provided the country is suited for the same.

Baby stage.—Where I will nurse it by Government assistance, if so required.
Child stage.—Where I will protect it.
Adult stage.—When I will give it freedom or leave it to free winds of competition.

The number of years would not determine any of the three stages, but the growth secured.

3175. *Q.* 15. If at any time a flourishing industry in this country is affected or a growing industry is scotched by dumping, bounties, subsidies or transport concessions I would retaliate effectively: the only effective way to find out " undue propping " of home industries by foreign countries, is to have full information as to the cost of production, cost of transporting, cost of packing, etc.

3176. *Q.* 16. Hand industries I would keep up. I would add to or replace them. I would organise them if I am assured that they can hold their own in the competition with machine-made goods in the country.

3177. *Q.* 17. Considering the length and breadth of the country, which would mean difference in the cost of Protection and transport, I do not apprehend any such general calamity as quasi-monopoly prices. But if it does take place there would be means found to regulate prices by State action.

3178. *Q.* 18. Quite possible. I would discriminate as to the loss or gain of national wealth and national control and act accordingly.

3179. *Q.* 19. Conflict of interests is conceivable and adjustments are also conceivable.

3180. *Q.* 20—24. Three terms are used in these questions:—

Q. 20. Import duty.
Q. 21. Protective duty.
Q. 24. Increase in the tariff rates.

Their connotations and effects are different. Protective duty is thus the difference in duty between the maximum revenue rates and minimum of Protection required. Thus the import duty at all stages must affect prices: whether the protective portion of this duty would do much mischief when balanced against the undermentioned advantages, namely:—

(*a*) Transfer of agricultural labour into industrial labour,
(*b*) Increase in national wealth or decrease in drain,
(*c*) Independence of economic internationalism is a matter requiring consideration as individual cases arise, remembering always that it will not be the agriculturist in every case who would use the new Indian manufactures thus protected; nor would he be always the poor and the much pitied. The State and the wealthy cannot be left out of consideration as the most likely consumers. When discriminated, the things would not look so ugly at all.

3181. *Q.* 25. " Discriminative " policy both as regards tariff rates and the choice of countries would make India alive and India would then trade to her best advantage.

3182. *Q.* 26—28. I cannot answer Question 28. My reply to Questions 26 and 27 is in the affirmative and answer to Question 27 is included in the policy of discrimination that I advocate.

3183. *Q.* 29. Yes. A Tariff Board of experts or of people qualified to attain the status of experts.

3184. *Q.* 30. Export duty may in addition to revenue purposes serve to kill or depreciate rival industries of other countries. This will hold good when the raw material is a practical monopoly and its production at home is limited by natural causes: otherwise if excessive export duty is imposed mischief at home may be apprehended.

3185. *Q.* 31. I am not aware of the effect of this duty on Tea, Rice, and Jute. If favourable results have been obtained duty may be increased and the sphere may be enlarged.

3186. *Q.* 32. Answer implied above.

3187. *Q.* 33. No: export of foodstuffs should be regulated by State both as to time and quantity to be allowed to leave the country.

3188. *Q.* 34. I am not prepared to lay down a rule. In such cases my action may be as suggested in the question.

3189. *Q.* 35. If the status of India is equal to other partners in the Empire, India should be prepared to adopt a preferential tariff in favour of other members against foreign countries in return for equal economic advantages. No appreciable economic loss to one country against another in the Empire is contemplated by economic equality.

3190. *Q.* 36. I would differentiate for good reasons.

3191. *Q.* 37. If we defined Imperial Preference in precise terms the answer could be almost guessed.

3192. *Q.* 38. Question can be answered by reviewing the whole situation for which I regret I have had no time.

3193. *Q.* 39—42. Answer not given as detailed examination has not been possible.

3194. *Q.* 43. Yes, in flour mill industry now as Proprietor. Have been in the past in spinning and weaving of cotton: glass manufacture: metal works, etc., etc.

3195. *Q.* 45. Yes.

3196. *Q.* 46. Half-way between efficiency and inefficiency.

3197. *Q.* 47. Indian and Indian Ocean markets.

3198. *Q.* 48. (*a*) In the market: *nil.*
(*b*) Elsewhere: in Egypt with English produce, etc.

3199. *Q.* 49—59. Answer themselves so far as milling is concerned, excepting that in Question 58 one might say " for Biscuits," etc.

3200. *Q.* 60. Discrimination again is my answer.

[In the unavoidable absence of Sir Ibrahim Rahimtoola, Sir Edgar Holberton took the chair.]

3201. *Sir Edgar Holberton.*—Mr. Harkishenlal, you are now a Minister. You have spent the whole of your life in the Punjab?

A. I have spent the whole of my life in the Punjab, except when I was away for study in England and otherwise.

3202. *Q.* You have been a Minister for how long?

A. I have been a Minister now for 11 months and 2 days.

3203. *Q.* Previous to that you were engaged in the commerce of the province?

A. Previous to that I was engaged in politics, previous to that I was looking after the People's Bank, previous to that I was in commerce and industry.

3204. *Q.* When you were in commerce, you were engaged in the management of various mills?

A. I have been engaged in the management of various mills.

3205. *Q.* That was in the pre-war period?

A. That was in the pre-war period and during the war also.

3206. *Q.* I am not talking of your flour mills.

A. That also and the spinning and weaving mills also lasted up to 1916.

3207. *Q.* How long had it been running?

A. About 14 years, with one break when part of it was burnt down.

3208. *Q.* These mills were started with Punjab capital?

A. They were started with Punjab capital.

3209. *Q.* Were they a success?

A. Well in one sense they were a success, but there were certain difficulties by which it did not make very large profits.

3210. *Q.* What were the difficulties?

A. The difficulties were; the burning down,—that was one—the peculiar conditions of 1908-10, when the industries of the whole of India were in difficulties,—I forget the year—and my going to England. The stocks increased, and not a bit of that stock was sold in my absence.

3211. *Q.* Eventually, this business failed?

A. It was wound up, not failed, because there was plenty of money going to the People's Bank, but the authorities would not wait.

3212. *Q.* And the mill was actually sold?

A. The mill was actually sold and dismantled.

3213. *Q.* Dismantled, and where did the machinery go?

A. To Bombay.

3214. *Q.* Would it be in your opinion more advantageous to use that machinery in Bombay or in the Punjab?

A. That particular machinery?

3215. *Q.* No. Any machinery.

A. You mean comparatively whether it would be better to start spinning and weaving mills here or in Bombay? I could not say. I have not gone into the question. The industry would, I think, do just as well here if not better than in Bombay.

3216. *Q.* At present there is no other factory here?

A. There are now two spinning mills working, one at Lahore and one at Amritsar.

3217. *Q.* There is a certain amount of progress then?

A. There is.

3218. *Q.* You say in your answer to Question No. 2, "Increase in customs would be preferable to direct taxation, in so far as the international trade could bear; guaranteeing unrestricted flow of commodities." That is to say, you would be very careful not to impose a tariff which would hamper trade?

A. Which would shut out commodities.

3219. *Q.* With reference to Question No. 4, I should like you to explain a little one or two of the existing principles on which you say the present tariff policy is based. As regards (*e*) "English interests to be secured against Indian competition," could you specialise a little further?

A. Well the whole conflict over the cotton industry.

3220. *Q.* That is simply a cotton question, is it not?

A. Well, at one time they use to say that silver plate was treated in the same way. A good deal of silver goods used to go, I am informed, from India and special duties were imposed, and the silver plate was shut out from going to England.

3221. *Sir Montagu Webb.*—*Q.* Were duties imposed in England?

A. Yes.

3222. *Q.* In what year?

A. I could not say.

3223. *Sir Edgar Holberton.*—*Q.* Then with reference to (*g*) "Imperial Preference with reference to hides and skins." That of course has been a failure?

A. I could not say. I have not followed individual cases.

3224. *Q.* Then your answers to Questions Nos. 11 to 14. "I contemplate new industries to pass through three stages provided the country is suited for the same." With regard to the first stage you say "I will nurse it by Government assistance if so required." Now, in your opinion, in the present state of industries in India, is Government assistance at all widely required?

A. I should think so.

3225. *Q.* Most of the industries in your opinion require Government assistance?

A. I do not say "most of the industries," but I do say some of the existing industries, and some of the industries being conceived. I cannot say exactly, but several other industries that are being projected or thought out, may require Government assistance.

3226. *Q.* What form would your Government assistance take?

A. More than one form. I would at a certain stage protect them, but before that I would help them with cheaper capital, or Government guarantee of interest; I would assist them with land and water and perhaps with expert advice, and sometimes with help to bring in labour in certain localities. I would help them in many directions.

3227. *Q.* Included in your measures of assistance, would tariff come in?

A. Tariff would not come in at the early stage, because it would be useless.

3228. *Q.* Could you elaborate that point a little?

A. Well, supposing we wanted to start, say, a rubber industry in the country, before the rubber industry reached a certain stage, to levy a tax on the rubber goods would be useless *qua* that industry. Of course for revenue purposes it would help, but *qua* that industry the mere fact that rubber is being taxed while the factory is being built or while the output is small, would have no effect on that industry. Production would be small, and if it is good enough there would be the advantage of transport and very likely it will be sold locally.

3229. *Q.* In your opinion the imposition of a tariff would not really be much good for industries which are not at present started?

A. Protective duties would do no good to a baby unborn.

3230. *Q.* Would you advocate them for longstanding industries?

A. If they have not reached the stage of perfect competition, I would protect them by a protective tariff.

3231. *Q.* That is your second stage, the child stage?

A. I do not mean by that an industry of so many years' standing, I mean the stage of growth of the industry, when perhaps the other forms of assistance will not be required, *e.g.*, the cheaper capital, I try to help it by Protection.

3232. *Q.* Eventually would you hope that your industry will be able to stand on its own legs?

A. Yes.

3233. *Q.* Question No. 18 reads: "Do you think that, if a protective duty is adopted, it is likely that British or foreign industrial firms will endeavour to establish themselves in order to get the benefit of the protective tariff? If so, what would be your attitude towards such a movement?"

A. The answer is "Quite possible: I would discriminate as to the loss or gain of national wealth and national control and act accordingly."

3234. *Q.* I do not understand the second part of the answer.

A. The meaning is this: that I would not stand in the way of foreigners, including in that term the British, establishing their industries here, provided the national wealth of the country is not affected seriously thereby. If there is an industry which earns a return of 20 or 30 per cent. I would take care that the foreigner does not take away 20 per cent., but if the industry earns say 7, 8 or 9 per cent., which is the usual rate of interest, I would not mind, because it would bring capital to the

country. But if the bringing of the capital drains away the wealth of the country I would stop it somehow or other.

3235. *Q.* It would be difficult?

A. It would depend on who handles it. If I handle a definite case I might be able to do it.

3236. *Q.* In answer to Question Nos. 20 to 24, you refer to transfer of agricultural labour into industrial labour. Would you look upon that as an advantage?

A. Certainly.

3237. *Q.* To an unlimited extent?

A. It is impossible to conceive that at any stage of India's industrial growth all or half, or even one-third of the agricultural population will be transferred into an industrial population. That is not conceivable. The numbers are so great in agriculture and the numbers required for industries would be so small compared to the population, that I cannot conceive a stage when agriculture would be affected by industrial growth.

3238. *Q.* Please refer to head (*c*) in the same answer "Independence of economic internationalism." How would that be beneficial?

A. In two ways: in a time of war it is obvious that we should be independent. It would be advantageous because the whole talk recently has been of the protecting of key industries. That is exactly the same idea I have expressed here by "independence of economic internationalism." The other idea is that too much dependence on economic internationalism has really brought India to a very low stage.

3239. *Q.* Would you mind telling us what do you mean by "economic internationalism?"

A. I mean the economic dependence of India on other countries.

3240. *Q.* That is in time of peace?

A. In time of peace also. We are practically dependent in many ways on manufactures of other countries and the policy has really in one sense or another, if not ruined, at any rate deteriorated many industries in the land, which is not desirable.

3241. *Q.* Could you instance a few industries?

A. Well, for example, all the little things of every day use. We have to depend for even candles on outside; we have to depend for our pen holders on outside, inkstands, paper weights, etc.

3242. *Q.* Would you like to see all these Indian?

A. Well, I should to a very large extent, like things of this kind manufactured in the country itself.

3243. *Q.* Would you almost describe them as ordinary necessaries of life?

A. Yes, ordinary necessaries of life.

3244. *Q.* Please refer to your answer to No. 30 "Export duty may in addition to revenue purposes serve to kill or depreciate rival industries of other countries." I gather that you would rather welcome that. Would you?

A. No, I have said I am a very great discriminator. I have no enmity against any other country except that I want to help my home industries.

3245. *Q.* But the effect of depreciating or killing rival industries in other countries would possibly have the effect of spoiling your market for your surplus raw products. To that extent it will be dangerous?

A. It will be dangerous to that extent, certainly.

3246. *Q.* With regard to your answer to Question No. 35, we have been at some considerable difficulty because we have not had a definition of Imperial Preference.

A. Well, that is exactly what I felt. Therefore, I attempted to define it.

3247. *Q.* Where is your definition?

A. Well, it comes out in this way. "If the status of India is equal to other partners in the Empire,"—that is one condition of Imperial Preference,—"India should be prepared to adopt a preferential tariff in favour of other members against foreign countries," and the second condition is, "in return for equal economic advantages." Having these two conditions, I do not mind having preferential treatment to the other members of the Empire against foreign countries.

3248. *Q.* I think some little difficulty has been caused to us all here by the use of the word "preference." I think sometimes some of us and some witnesses too have been inclined to take it as advantage to one side or the other. Would you mind defining Imperial Preference as "Empire trade treaties on mutually favourable terms."

A. You have to bring in the word "mutually." It covers the two conditions that I have laid down.

3249. *Q.* The word preference is a little unfortunate; it was given the name because it was more or less world wide?

A. It was given by a political rather than an economic man, Joseph Chamberlain, and he had a political game to play rather than an economic game and so this word was invented.

3250. *Q.* I quite agree. If you could get rid of the idea that preference means loss to anybody, and keep the idea that it means mutual relations, *i.e.*, reciprocity?

A. Then I am at one with the idea. India should be prepared to adopt it.

3251. *Sir Maneckjee Dadabhoy.*—*Q.* I understand that you have been connected with the industries of the Punjab for the last 25 years and that you have been one of the pioneers of this province in the matter of its industries?

A. I think you are quite right there.

3252. *Q.* As such, you have come in direct contact with the people of the province and you are in a position to judge accurately how far industries will benefit the people?

A. Yes.

3253. *Q.* From your interesting note, I gather that you are a discriminator, and you have just said, that you are not inimical to any foreign interests?

A. No.

3254. *Q.* You mean as long as your home industries are safeguarded?

A. Yes.

3255. *Q.* I understand from the general tenor of your note that when you say you are a discriminator, you are not wedded to any dogmatic principle, either free trade in its real sense or Protection?

A. You are right.

3256. *Q.* I gather from your note that you would like that fiscal freedom should be given to India and India should be left to choose for itself the policy to be adopted from time to time?

A. That is a political question. If it cannot be done without having fiscal liberty in our hands, I would certainly ask for it.

3257. *Q.* Don't you think if you are a discriminator, that your ideal could not possibly be attained without fiscal freedom?

A. Politically I have held that opinion, but economically it might be managed otherwise.

3258. *Q.* You will admit that there would be insuperable difficulties?

A. I have held the opinion that without freedom being given to Indians, it would be difficult to adjust these things.

3259. *Q.* I am asking because you use the word "discrimination" and there could be no discrimination without freedom?

A. If that is impossible, certainly I advocate freedom.

3260. *Q.* I understand that in answer to Question No. 2 you support tariff in preference to direct taxation, because you say it affects Indian States within British India?

A. Yes, but I do not say that that should be an exclusive form of taxation.

3261. Q. I gather from your statement that the Indian States, being part and parcel of the great Indian Empire, should in a way participate in its customs tariff and to a certain extent contribute indirectly?

A. Yes.

3262. *Q.* Taking your answers to Questions 5 and 10 together, I understand that you say that the present policy resembles a baby without a nurse?

A. The industries resemble babies without nurses.

3263. *Q.* Therefore you recommend three different methods, the baby stage, child stage and adult stage. Am I to undersand when you talk of the baby stage, that even if here is no foreign competition, you would nurse those industries?

A. I would.

3264. *Q.* In answer to Question No. 8, you say, "Consummer must in all cases pay, if not always immediately, at least in the long run." You think that is the inevitable result of the change in industrial policy.

A. It is not a question of industrial policy really, but a tax of that kind, whether it is protective or whether it is non-protective, has that feature.

3265. *Q.* And for the larger prosperity of the country, you do not object to Indian consumers paying a little more?

A. It would be a flea-bite. It would be a trifle.

3266. *Q.* Now about labour. You say that you look

upon the transfer of agricultural labourer to industries as advantageous to your province?

A. I do.

3267. *Q.* Is there any serious difficulty of labour in your province?

A. Excepting in one department, where I felt some difficulty, I have never felt it in other departments. Inside the spinning and weaving mills, so far as skilled labour is concerned, I have felt some difficulty, but with regard to unskilled labour, whether inside or outside, whether in the spinning and weaving mills or other mills, I have not felt any difficulty.

3268. *Q.* Your labour is more or less migratory?

A. Part of the labour in the Punjab is migratory, or you might say that the Punjabi is more nomadic than people in other parts of India that I know of. He shifts more readily than people in other parts of the country.

3269. *Q.* And what is the reason? Is it want of industries?

A. I think more or less it is due to the strength of character and a little more ambition to live better than his comrades in other parts of the country.

3270. *Q.* If there was scope for the fulfilment of their ambition in the province, they would not migrate?

A. Certainly the Punjabi would prefer a nearer goal to a distant goal.

3271. *Q.* The skilled labour which you mention, do you particularly refer to the cotton mill industry?

A. I was referring to the cotton mill industry.

3272. *Q.* Would there be any insuperable difficulty in securing that labour?

A. If you start mill industries of any kind, perhaps the Punjab would be the best place. If you wanted to start industries where woodwork is required, you will find the Punjab to be the best place. If you wanted to start industries which require art, for example various kinds of lac work, metal finishing, art weaving, perhaps the Punjab would be the best. If you wanted industries like planning of machinery, it would take a long time.

3273. *Q.* Will you kindly explain what you mean by a long time?

A. If the parent settles down round about the mills for unskilled work, the children will take to the skilled work.

3274. *Q.* In answer to Question No. 30, you state, "Export duty may in addition to revenue purposes serve to kill or depreciate rival industries of other countries. This will hold good when the raw material is a practical monopoly and its production at home is limited by natural causes." Will you kindly explain this?

A. Export duty, when we are not fixing up any rate and we are using it in general terms, might be so heavy that the other countries which depend on our raw products might not get the raw products and industry there might be killed, or the raw materials landed there would be so expensive that it might depreciate the industry. It depends on the rates. It might have three stages, it might not affect the other countries and give revenue, secondly, it might depreciate the industries of other countries, and thirdly, it might be so heavy that it might kill the rival industry in other countries.

3275. *Q.* Whether export duties should be imposed or not would depend upon the conditions?

A. According to the conditions one will fix the rate.

3276. *Q.* You are not opposed to export duties in general?

A. I am not opposed.

3277. *Q.* In answer to Question No. 33, you say "Export of food stuffs should be regulated by State both as to time and quantity to be allowed to leave the country." You advocate in this answer a system of State control?

A. I do, so far as food stuffs are concerned.

3278. *Q.* Have you had any experience of such State control?

A. I had experience, I have been concerned with flour milling for a number of years to a very large extent.

3279. *Q.* Is it an unmixed blessing after all?

A. Is there anything in the world which is an unmixed blessing?

3280. *Q.* So you would under the circumstances regulate the limitations?

A. For the great political feeling in the country and for the state in which India is compared with other countries so far as the wealth producing power is concerned, I should certainly think regulation of foodstuffs is very necessary.

3281. *Q.* In answer to Question No. 35, you say "If the status of India is equal to other partners in the Empire, India should be prepared to adopt a preferential tariff in favour of other members against foreign countries in return for equal economic advantages." Do you refer to the economic status?

A. Yes.

3282. *Q.* Not the political status?

A. Political status in another place, not before this Commission.

3283. *Q.* Do you think that the economic status of India at present is equal to other partners in the Empire?

A. No.

3284. *Q.* Your conclusion is based on the economic advantages being equalised. Are they at present equalised?

A. No.

3285. *Mr. Jamnadas Dwarkadas.*—*Q.* You told Sir Maneckjee Dadabhoy that you had experience in matters industrial in the Punjab and you told the Chairman that you had experience in various other directions in the Punjab. Will you kindly give us information as to your varied experience? Have you had experience as an agriculturist?

A. I have had varied experience, and I should say very general experience. I have had a fair amount to do with agriculture, a fair amount to do with banking, a fair amount to do with trade, a fair amount to do with politics, a good deal to do with journalism, teaching, professoring, lecturing, and administering.

3286. *Q.* What is your experience in the direction of agriculture? Have you had any practical experience as an agriculturist? Have you devoted a number of years to that particular branch?

A. Yes, I have owned land from a very long series of ancestors, and I have looked after the lands myself, all my life, since I have had charge in my own hands.

3287. *Q.* I take it that when you are giving evidence before this Commission as a Punjabi, you are doing it also from the point of view of the agriculturist?

A I am doing it from the point of view of the whole Punjab, and I do not find, so far as the questions before this Commission are concerned, that there is any conflict of any interest between the agriculturist and the industrialist or between the townsmen and the countrymen.

3288. *Q.* Is there any conflict of interest, as we have been told by some witness between the Punjab and the rest of India on this question?

A. Under the economic question none at present.

3289. *Q.* If a policy was decided on and if that policy was to the good of India, would it not also be to the good of the Punjab?

A. That would depend, because, as I have said, I am a discriminator. Supposing a Bombayite sat on the *gadi* of the Fiscal Commission and he really tried to kill the industries of the Punjab and spur the industries of Bombay, then I would say that a conflict has arisen and not until then. But as a general policy, I do not think there would be any conflict.

3290. *Q.* That contingency which you mention is hardly likely to arise. If a policy is decided by a representative body of Indians in the interests of India, you do not think it will conflict with the interests of the Punjab?

A. It would depend on the time. I cannot say that the constitution of the body would create conflict, but it would depend on their action. One man might do more mischief than a body of men, and a body might do more than one man. That would depend upon the time. At present I do not see any conflict.

3291. *Q.* In answer to Question No. 6, you say, "Answer to this question is in the negative. Exception, however, may be made in the case of special industries for which India presents special advantageous ground. But even in this case the excise duty should be reasonable and for revenue purposes only," You know that there is an excise duty on cotton manufacture?

A. Yes.

3292. *Q.* Do you consider that the excise duty on cotton goods is a reasonable duty?

A. Reasonableness in my opinion applies to quantity not to the imposition. I have refrained from giving any opinion as to the quantity, *i.e.*, rates of any excise or customs duty. Therefore I cannot say whether the present duty is reasonable or not, because I have not gone into that matter.

3293. *Q.* You state that an exception may be made in the case of special industries for which India presents special advantageous ground. Do you consider

that the cotton industry can be included in that category?

A. I should think so.

3294. *Q.* If that is so, then do you think that the excise duty would be justifiable?

A. Excise duty would be justifiable provided there is a corresponding import duty. I concede that the principle is quite right, but whether a certain rate ought to be levied or not would depend on the circumstances of the case. For example, at present I am told it is 11 per cent. on one side and 3½ on the other. It means 7½ nett. Supposing 11 was reduced to 7½, the question will present a different aspect from what it does at present.

3295. *Q.* It was 7½ last year.

A. Whatever there may be, you see if an industry can bear it at any time, it may be a direct or indirect increase.

3296. *Q.* Even there you would be a discriminator?

A. I must always be a discriminator as to quantity.

3297. *Q.* With regard to excise duty are you aware of any country in which the home industry has to pay an excise duty on an article like cloth?

A. I could not say, because I have not studied the tariffs.

3298. *Q.* In answer to Question No. 9, you say, " If a particular industry is treated in the way suggested and thereby fostered the advantages would be increase in the national wealth or lesser decrease." Would you elaborate that answer a little?

A. If by importation of goods we are operating with a certain quantity of our wealth, if that is decreased, the importation of goods is decreased, then there is lesser drain. The national wealth is less decreased thereby and if we have larger production in the country and all is consumed in the country, then of course we have a larger increase in the national wealth and if it goes to such an extent as to export also, then of course there is a good deal of increase in national wealth.

3299. *Q.* Is it not a fact that increase in the national wealth is a positive gain to the country?

A. Certainly.

3300. *Q.* The term that you use " lesser decrease " is also a gain?

A. Yes.

3301. *Q.* That pre-supposes that the present policy has the effect of causing decrease in the national wealth. Is that your opinion?

A. The present policy is a phrase beyond me, because I have given here what I understand of the present policy in Question No. 4. You see, therefore, to answer a question in that simple form would be very difficult. I could not say that the present policy leads to that, but I would say the present condition of affairs leads to that. It might be quite clear from the tenor of my answers that I do not believe that the tariff policy only can make India a great manufacturing country. There would be other factors as well.

3302. *Q.* What are the other factors?

A. For example the organization of capital, the skill, the scientific knowledge, research, organization of labour, the system of costing, the methods of marketing, transport facilities or difficulties, all these go to help or affect adversely the manufactures of the country, and therefore one factor cannot decide the whole thing.

3303. *Q.* You admit that the tariff policy is an important factor?

A. It is one of the effective factors.

3304. *Q.* Coming to your answer to Question No. 4. you say, " The advantage of this policy may be summed up by saying, ' everybody is happy excepting the Indian manufacturer and the Indian patriot whose number has been small in the past.' " Will you kindly explain it a little further?

A. The number of Indian manufacturers has been small. That is obvious, because we are crying for more industries; and the Indian patriot also means that the Congress in the past consisted of fewer people than it does now. In the past they had made no effective impression on the policy, but at the present time, it is very likely they are going to do it.

3305. *Q.* Eighty per cent. of the population of India depend upon agriculture for its livelihood?

A. Yes.

3306. *Q.* Suppose a discriminating policy of protection was adopted. It would probably satisfy the two classes that you mention, the Indian manufacturer and the Indian patriot. But would it not conflict with the interests of the agricultural classes?

A. No, it would not.

3307. *Q.* Would it be an advantage to the agricultural population?

A. In one sense it would be because as I have said it will draw the labour from agriculture, *i.e.*, 80 per cent. might be reduced to 78 per cent. and that would be a distinct advantage.

3308. *Q.* In answer to Question No. 10, you say, " I look forward to a time when India will produce articles required in all departments of human needs; but whether India would then be independent in all its requirements would depend mainly on :—(*a*) population, (*b*) standard of living, and (*c*) the fashions of life." Will you explain these three things a little further?

A. In India there are raw materials and there is labour. I therefore believe that almost all varieties of articles may be produced in the country. Whether they would be produced in sufficient quantity to meet the growing population will depend upon time. Possibly by the time that all these industries come into existence, the population might increase to such an extent that we may not be able to produce some particular articles sufficient for their requirements and might have to depend on outside supply.

3309. *Q.* You do not think that the time is ever likely to arrive when we shall be entirely independent?

A. Yes, certainly when Bolshevism succeeds, when the needs of the people disappear and men begin to live in *langoti*, certainly all our needs would be supplied.

3310. *Q.* You do not think it is possible for one country to be independent of another?

A. As the East depends on the West so the West will depend more on the East. It is absolutely impossible for the East to be independent of the West.

3311. *Q.* With reference to Questions Nos. 11 to 14, can you give us some illustrations of industries in India which are in the

(*i*) Baby stage.
(*ii*) Child stage.
(*iii*) Adult stage.

Could you mention one industry of each class?

A. Baby industry—for example—Leather industry and its modern methods; Child industry would be like the Metal industry; Adult stage, I should call the Cotton industry.

3312. *Q.* Do you believe that the cotton industry has reached such a stage that you would not advocate any protection for this industry?

A. No, I would not advocate it.

3313. *Q.* Would you have an import duty on cotton goods for revenue purposes?

A. Yes, for revenue purposes, but from the fact that the Indian industry is in a position to compete with Lancashire I would call it in its adult stage.

3314. *Q.* Take the present import duty on cotton goods—is it 11 per cent.?

A. Yes.

3315. *Q.* Is it for revenue purposes?

A. Yes.

3316. *Q.* Does it indirectly afford some protection to the home industry?

A. I don't know that it does.

3317. *Q.* Would you advocate, now that the cotton industry has reached its adult stage, any reduction in the present import duty?

A. What for? I have said that I would raise as much revenue as possible, and if 11 per cent. is the revenue I can reasonably raise, why should I not raise it?

3318. *Q.* Do you think 11 per cent. is reasonable?

A. I would raise as much revenue out of Customs as possible—I would not reduce it; the condition I have laid down is that the flow of the commodity does not stop.

3319. *Q.* Take the 11 per cent. duty—does it not affect the flow of the commodity at all?

A. Not in my opinion.

3320. *Q.* In answer to Questions Nos. 20 to 24, you say, " Whether the protective portion of this duty would do mischief when balanced against the undermentioned advantages, namely:—

(*a*) Transfer of agricultural labour into industrial labour;
(*b*) Increase in national wealth or decrease in drain;
(*c*) Independence of economic internationalism:

is a matter requiring consideration as individual cases arise, remembering always that it will not be the agriculturist in every case who would use the new Indian

manufactures thus protected; nor would he be always the poor and the much pitied. The State and the wealthy cannot be left out of consideration as the most likely consumers." Would you mind elaborating that answer?

A. My meaning is this: that the new industries of India which are protected now or hereafter would not always be the industries which would be consumed by agriculturists. Commodities produced by the country people would always be used by the agriculturists, and in most cases I conceive that the articles that we are contemplating to produce will be used only by the State, by the wealthier men, by the men who live in towns, and therefore a conflict of interest does not arise at all. In some cases it would, but in very few cases.

3321. *Mr. Mant.*—*Q.* I want to clear up one or two points: the first as regards the effect of duties on Indian States. You have answered clearly enough that you favour customs duties to defray the cost of defence, purely for revenue purposes. I do not quite follow your meaning as regards protective duties.

A. I have not been an out and out protectionist, but I have not excluded the industries from Protection which are in the Indian States. I would protect them as much as I would protect the industries in British India. I cannot conceive any Indian State being so isolated that it could develop an industry when the corresponding industry could not be started in British India, nor could an industry exclusively be started in the interests of Indian States alone, because in many cases the capital is joint, the labour is joint, the consumers are joint. Therefore I would protect the industries started in the Indian States.

3322. *Q.* Would you treat India as a whole?

A. It is a whole geographically; it is artificially divided at present.

3323. *Q.* You will put this under the elected Legislative Assembly?

A. Yes, when the powers are given—at present there is only implication of power.

3324. *Q.* You mean that until fiscal freedom is given to the Legislative Assembly nothing should be done?

A. We are looking to the time of fiscal freedom being granted.

3325. *Q.* I want to know how you would provide for the representation of the Indian States?

A. That is a very big question—a political question. I might say that some of the politicians are dreaming of a Federated India and if that comes off this difficulty would disappear.

3326. *Q.* But leaving aside that, representation is necessary when there is a conflict of interest?

A. I maintain there is no conflict of interest between the producer and the consumer. Really they are dependent on each other.

3327. *Q.* I am assuming that Protection is effective and that the protective duty is stopping the import.

A. If you say that by protective duty a State monopoly would be created then I can answer your question. No such monopoly should arise. I have stated that protective duties go on the users of commodities and the consumer pays. One would give and the other would produce. Therefore the outside competitor is shut out. If we conceive that a monopoly is created in favour of the producer I am against it. I have already said that I would not go to that extent.

3328. *Q.* Do you mean that protective duties ought not to be so high as to be effective?

A. Effective to the extent of a free flow of commodities: that means that prices should not rise abnormally—in other words, *quasi*-monopoly or monopoly should not result. Without a condition of monopoly I cannot conceive that prices could be raised.

3329. *Q.* What is the use of your protective duty?

A. It is by that they would get better prices. Outside goods would be expensive and the home manufacturer would get the cost of production back. An industry would not be helped if the cost of production for various reasons is higher than the cost of production in other countries. I will put it in other words: Imported goods will still come in because there will be a market and if they still come in I would buy them if they could be got much more cheaply. I have said in these answers that I am looking to the time when we would produce all varieties and kinds, but we need not necessarily expand at the expense of shutting out all outside imports or produce only sufficient to supply all our needs. We shall never be able to supply all our needs.

3330. *Q.* If the foreign goods are coming in do you think that locally manufactured goods would be sold considerably below the cost of the foreign goods?

A. I don't say that at all. I should say that a duty of that kind will increase the cost to the consumer.

3331. *Q.* You said that there was no conflict of interest between the consumer and producer?

A. The duty goes to the Government. If the consumer has to pay higher cost of goods he must fight with the Government.

3332. *Q.* All I want to know is how the consumer in the Indian States would fight with Government?

A. At present they can come in—there is no bar to a resident or subject of Indian States coming into our Assembly. You must establish first the conflict of interest; because with the conflict of interest he has a right to be represented.

3333. *Q.* In your answer to Question No. 33 you say that the "Export of foodstuffs should be regulated by State both as to time and quantity." I should like to know exactly in what form you would regulate exports? Would you favour a duty?

A. No; I would regulate it on the estimated requirements of the country plus a margin for rainless days. The argument used by the Government of India last year was that the production was about 10½ million tons and the production in the current year was 6½ millions; Government made out 17 million tons and India consumed on an average 8 million tons and they permitted to go 1 million spare. The policy adopted was quite right and I will stick to that policy. If the wheat consumption of India is 8 millions in normal years I would leave in India 8 millions and another million for rainless days and then if there is any balance I would allow it to go.

3334. *Q.* How would you allot it? We found considerable difficulty when a limit was put to exports to decide who should have the privilege to export first.

A. It is very difficult to estimate the quantity. Notwithstanding great problems of statistics we have to depend on averages.

3335. *Q.* Statistics are all very unreliable. Have you not got in prices a more reliable factor that you can regulate your policy by?

A. No. Absolutely not, because the prices of to-day are no indication of the prices of to-morrow. In one of my tours in Rhotak I met a Jat who said that when wheat was selling at 8 seers per rupee people were dying fast, but when wheat was selling at 5 seers to the rupee people were not dying so fast. It seems to be wholly an economic principle of supply and demand. Price is no guide for allowing free export. I do not know whether you are interested in what the Jat said in Rhotak.

3336. *Q.* Can you explain the reason?

A. The reason is simple. The standard of income had gone up or the price of silver and gold depreciated. Therefore what we nominally call prices were not prices, but simply an expression in a depreciated currency. Therefore if you lay the test of prices you have to make a very elaborate calculation of the value of the currency at any fixed time. My meaning is this. The world prices will not sufficiently in future regulate the quantity of wheat to leave the country. The question is not world prices. The question is what I want to eat.

3337. *Q.* Have you any details concerning the general scheme of Protection which you gave? I would like to know how you would select the industries that you would protect in the child stage. On what principle would you select your children?

A. The children are there.

3338. *Q.* Cotton manufacture, I understand, is not one of your children.

A. No. That is my brother.

3339. *Q.* How do you know your children?

A. There is no difficulty in knowing my child. The point is whether my child is withering, is not growing, and shows signs of decay. After looking at the balance sheet I would protect it. For example, I start a concern. After starting it, I find that I am not making money. My expenses are heavy, and I am not making anything out of the business. I could not improve it. I could not induce people to take debentures on it. Then I would go and tell the State, "Here is my company. I only started the industry. These are the natural advantages, but at present, because in Europe

either the cost of production is less, or there is mass production, or they have got better machinery I cannot compete. Therefore I want Protection." If I were the State, I would say, "I will look into your case," and after looking into the case, I would protect it.

3340. *Q.* I take it your scheme wil be this. You have first of all to get a baby?

A. Yes.

3341. *Q.* I do not quite know at what stage it becomes a child.

A. It becomes a child when I think that there is no assistance required in the way of capital, when there is a full flow of capital, or at least a fair flow. The only question is that of the profits. If the profits are small it is a child.

3342. *Q.* It has got to reach a certain stage of development before it becomes a child?

A. Quite so.

3343. *Q.* If it begins to go back you will put on a protective duty?

A. I would put a protective duty on it if I find that there are circumstances in the way and that it is the best thing to do. If it is not a hot house production, I would certainly protect it. If I find that it is a hot house production, I will let it go.

3344. *Q.* It really illustrates your scheme better if we consider its application to the industries with which you are personally connected. Take your flour mill industry. Is that a baby, a child or an adult?

A. Barring the question of transport expenses it is an adult.

3345. *Q.* You do not want Protection for it?

A. No. I do not want Protection.

3346. *Q.* Spinning and weaving of cotton?

A. I have said before that this is my brother. It is an adult.

3347. *Q.* Glass manufacture?

A. Glass manufacture is a child.

3348. *Q.* We were told yesterday that it already gets a very large measure of Protection in the way of transport charges.

A. This is one item only. Certainly it is a child. It might require further nourishment, further looking after, and further help.

3349. *Q.* And metal works?

A. It depends on the kinds of metals. There are lots of kinds. Some metal works are in the stage of childhood and some are in the stage of babyhood. One can handle only one at one time. I hear that Tata's works were adult because Japan was buying stuffs here perhaps cheaper than she bought elsewhere. That is my information.

3350. *Q.* That brings us to one of the most difficult points. How would you distinguish between a child

A. The cotton industry is an adult. But there has and an adult?

always been a great conflict of opinion.

3351. *Q.* Could you give us any idea as to how you would determine whether a child has become an adult?

A. As I have said already, the great test would be the balance sheet and the flow of capital.

3352. *Q.* Profits, I suppose?

A. The result of the examination of the balance sheet will tell you. If there are large profits being made and capital is unrestricted, then, of course, it has attained the adult stage.

3353. *Q.* And who would determine these questions? We have really got two important stages. The first is to decide when an industry has become a child, and the second is to decide when it has become an adult.

A. So far as the question of child is concerned, the stage ought to be determined by the Director of Industries and by the Advisory Board attached to him, and by the Minister of Industries.

3353 (*a*). *Q.* Do you mean to say that you would empower them to put on protective duties?

A. No. I would empower them to assist in every possible way. Take for example, an industry in the Punjab. If I find that it requires help, I would begin to consider in what way to give help. Protective duties perhaps would be one of the ways. I would write to the Government of India and its Board that I am proposing that the industry in my charge as a Minister of Industries in the province requires Protection so far as the country is concerned. I would go to the Finance Member and say, "I want to lend this industry Rs. 5 lakhs at 5 per cent." I would go to the Canal Department and say, "Water is very expensive. Please give water cheap." I would do all that in the baby stage. In the child stage I would reduce that. As I was saying the baby stage would be the concern of the Director of Industries, the child stage would be the concern of the Board, and the adult stage would be the concern of the country.

3354. *Q.* What authority would determine when to impose protective duties and when to take them off?

A. This Board that I have suggested.

3355. *Q.* Would you give the Board power to put on and take off duties?

A. I am not to advise the Finance Member.

3356. *Q.* The power of decision will rest with him?

A. If he is a wise man he will follow their advice. If he is not a wise man he will make mischief. There is no other way but this governmental method.

3357. *Q.* Would not it be for the Legislative Council to determine? Would not they really be the ultimate authority?

A. Of course, I have no objection to that. That, of course, is a matter not economic. It is a matter again of administration.

3358. *Q.* You know it is a very important matter?

A. It is a very important matter. But it is a matter of administration whether the Legislative Assembly should delegate powers to the Finance Member, or whether they should be delegated to this Board provided he is satisfied. Otherwise, naturally, all power will rest with the Legislative Assembly.

3359. *Q.* It has been alleged that in all protectionist countries there is a very great pressure by interested people put on the authorities, may be on the members of Parliament, members of the Congress in the United States, and so on, and that it leads to a great deal of corruption. I would like to have your opinion of that danger in India.

A. Do you mean to say that if we put on Protective duties in the country that all or at least the majority of the members of the Legislative Assembly would be corrupted?

3360. *Q.* We have been told that it tends to corruption (I do not say so), and that it would be an obstacle to India's progress in the path of self-government on which she has set out. This is really the objection which has been raised. I want to know if you can re-assure us on the point?

A. I do not think that Indians will behave worse than anybody else in other countries,

3361. *Q.* We have been told that in other countries it is very bad.

A. If it is very bad, I think the reform ought to begin there rather than come here. These people are to be reformed, who are very bad. After all, you have to remember that India has a population of 300 millions, while the corrupted countries have not that amount of population. We are not conceiving a stage at which the majority of Indians would be industrialists. The illustrations that could be given would be where the majority of the population depended on industries. There are differences, and I am not very much afriad of that.

3362. *Mr. Birla.*—*Q.* You think the cotton industry has reached its adult stage?

A. I should think so.

3363. *Q.* Before the war the industry was not making sufficient money. Do you think that it was at its child's stage or in the adult stage at that time?

A. Before the war, of course, there have been bad years and good years, so far as I know. But in good years I think the profits were quite fair, and I should think the industry was an adult.

3364. *Q.* So you think that before the war also it was at its adult stage?

A. I should think so.

3365. *Q.* Nowadays, of course the cotton industry is making good money. But even in these days, the Japanese are keen competitors in coarse cloth, and it might happen that after several years we might get into bad years. Will you call it an adult industry?

A. I will call it an adult industry.

3366. *Q.* So your classification does not depend on the profits or losses, but it depends on the age of its existence?

A. Yes. If an industry can make that which other industries are making, then, of course it is all right. If it cannot, for any cause over which the producers have no control, the State might come in and help.

3367. *Q.* Do you make any discrimination in the cotton industry? For instance, there are some industries which only weave finer cloths. Would you discriminate?

A. My test is this. Where the cost of production does not depend on any unfavourable item on account of uncontrollable circumstances in the country, then, of course, it is all right. But if there are circumstances in the country under which the cost of production is higher than other countries, then, of course, State help ought to come in.

3368. *Q.* You know that in respect of the finer counts you have not got sufficient skilled labour in the country, and you have also to depend for the raw material on foreign imports. Therefore, only in the beginning the cost of production will be higher than that of other countries. Mills using Egyptian and American cotton produce very fine things. In that respect you will have to depend on the Egyptian cotton. And you will have to import cotton from Egypt?

A. In that case that particular industry might be protected.

3369. *Q.* So you will make a discrimination in this respect?

A. Yes. That is why I call myself a discriminator.

3370. *Q.* In your answer to Question No. 4 you say that everybody is happy except the Indian manufacturer and the Indian patriot whose number has been small in the past. I would like to know who this everybody is that is happy, within India or outside?

A. Everybody concerned in the industry outside.

3371. *Q.* So you think that even the masses in India were not happy on account of this condition of affairs?

A. The masses of India would be happy if they had more money in their pockets. This condition of affairs did not put more money into their pockets, and therefore they were not happy.

3372. *Q.* You say also that the patriots were not happy?

A. Patriots were not happy because they wanted change.

3373. *Q.* On account of a protective policy do you think that there will be a general increase in the price to the consumer?

A. I have said that.

3374. *Q.* You know that in countries like Japan, France, Germany and the United States of America they have got a protective policy. In spite of that we find that to the consumer the price there is cheaper than the price which the consumer in India has to pay. For instance, in the case of motor cars and so forth, which we import, we have to pay a higher price than the consumers of other countries with a protective policy?

A. No. I would not admit that. They have to pay the cost. We have to pay the cost of transporting, and the insurance. And this we have to pay which the consumer on the spot has not to pay.

3375. *Q.* Do you think that before they had a protective policy the consumers of those countries paid cheaper prices than what they are paying at present?

A. I do not know, because they may be able to get things cheaper now. But that would not be a question simply of tariff. That may be because they have got more efficient labour, better machinery, better organisation and capital, and can command what is called mass production. You must remember this that in discussing the economic question of the cost of production and the price the tariff is not the one factor that enters. There are a dozen factors that enter into calculation, and therefore you cannot confine your attention to one factor.

3376. *Q.* But you know that the tariff brings many new factors into industries. For instance, if a capitalist does not want to invest his money on account of the insecurity of an industry, he might be inclined to invest his money if he finds that there is a certain amount of protection given to the industry.

A. Yes. Quite right.

3377. *Q.* He starts an industry, and suppose others also start the industry. After a few years they might be able to get more efficient and skilled labour and might be able to reduce the cost of their production and put the commodities on the market at a cheaper rate than they used to do before. A protective policy does not always necessarily increase the price of the commodities.

A. That is not the way we should look at it. I do not say it increases. I say that a protective duty has always to be paid by the consumer. Where he pays a price of Rs. 10, that Rs. 10 is inclusive of the protective duty of Rs. 9. Where he pays a protective duty of Rs. 8, the price of the commodity will be perhaps Rs. 9-8-0 instead of Rs. 10, and so on. This is always correct that a protective duty is always paid by the consumer. But I never said that the price depends exclusively on the tariff. I do not think that anybody would say that at all.

3378. *Q.* I understand you want Imperial Preference with reciprocation.

A. Quite so.

3379. *Q.* If you cannot have any reciprocation from other parts of the Empire, you won't recommend Imperial Preference at all?

A. It is this way that one cannot conceive that one can have reciprocity. But supposing there is, my answer is quite clear.

3380. *Q.* You know that we are mostly exporting raw materials to the other parts of the Empire, and have little to import from them. I cannot understand what sort of reciprocation those parts of the Empire can give to India?

A. You are asking a very general question. If you ask me a particular question that such and such a place takes all our raw materials but cannot send us anything, I might confine myself to something.

3381. *Q.* For instance, we are exporting raw cotton to some parts of the Empire, say England. England also imports raw cotton from America. I do not think England will be in a position to impose any import duty on the raw cotton from America, and thus we won't have any reciprocation at all.

3382. *Sir Edgar Holberton.*—The witness is in favour of Imperial Preference if he can get equal economic advantages. If he cannot get them, he won't have it.

Lala Harkishen Lal.—He wants to get out of me a scheme by which he can give preference. So far as England is concerned there is a lot of gain going out. So far as other parts of the Empire, the Dominions, are concerned, some may not buy our raw materials. Some countries which purchase have got plenty of land. There is a condition that suggests itself to me. If they will sell their land to me, I will sell them my raw materials.

3383. *Mr. Seshagiri Ayyer.*—In answer to a question by the President you said that the Punjab was in as good a condition as Bombay for starting industries?

A. Yes.

3384. *Q.* I put it to you that you are in a slightly more advantageous position?

A. In respect to certain things.

3385. *Q.* For example, you grow cotton. A great deal of the cotton you grow here goes to Bombay, and I think you are exploring the oil fields of Attock and it may produce a good deal of fuel, and you have got coal nearer to you than Bombay.

A. Well, in a way we may be in a better position, but these advantages are counterbalanced by other advantages which Bombay has. For example, cheaper stores, less cost of machinery and more efficient and reliable, and therefore cheaper, labour; cheaper and plentiful capital, mass production,—all these things would be advantageous to Bombay.

3386. *Q.* You won't say you are in a more advantageous position?

A. Well, that is a question of quantity.

3387. *Q.* A number of questions have been asked with regard to protective duties. With regard to the finer counts of cotton and cloth which come from Lancashire, I take it that you have given the answer. So far as those counts or qualities are concerned, which are not produced in the Bombay mills, if there is an inclination to start a mill in this country you would undoubtedly give Protection for it. Would you not give Protection for cloths which would come in competition?

A. Well, I would make this test to begin with. Where I manufacture cloth from my own home cotton, I would not give Protection; but where I manufacture cloths from foreign cotton I would be prepared to give Protection for a time.

3388. *Q.* Now as regards your answer to Question No. 15, you state that the only effective way to find out undue propping of home industries by foreign countries, is to have full information as to the cost of production, cost of transport, cost of packing, etc. If that has been done and you are satisfied that there has been a dumping of foreign goods in the country, would you recommend the grant of bounties by the Govern-

ment to the industries started in this country to withstand the dumping?

A. Well, I have said that dumping of course cannot be retaliated by dumping. Dumping can be retaliated by some law that the thing should not be dumped, because dumping means over-production, and I have said " I would retaliate effectively," and I think that covers all the methods suggested, bounties, subsidies, protection duties,—all.

3389. *Q.* Transport facilities within the country?

A. Yes, all, and I use the word " effectively."

3390. *Q.* As regards your answer to Question No. 16, coming as I do from Madras, I am rather interested in these hand loom industries. You know that in our parts there are a large number of hereditary castemen who take to this trade on account of custom and caste regulations, and that they cannot be induced to go to any other trade. Under these circumstances, I think it is Government's duty to see that they are encouraged. You say: "I would organise them if I am assured that they can hold their own in the competition with machine-made goods in the country."

A. I understood the question was with regard to hand industries and machine-made goods in the country itself. But if the question is put now whether I would protect hand industries against the competition of foreign machine-made goods my answer to that would be " only to the extent that I can produce similar goods by machinery in this country."

3391. *Q.* As between the hand industries in this country and the machine-made industries in this country, would you like to protect the former?

A. I would not like to protect the one or the other, but I would help them by way of organisation, facilitating their marketing; giving designs; teaching them in schools; giving them better hand tools, etc. I would give them all that.

3392. *Q.* Would you give them easy loans?

A. That of course does not really arise.

3393. *Q.* But you would not mind that?

A. As a Minister of Industries I should be expected to protect all interests.

3394. *Q.* I think you said in answer to Sir Edgar Holberton that you would not give protective duties in favour of non-existing industries.

A. How can I nurse a child which is not born?

3395. *Q.* I know you must have a child to nurse, but suppose the child is in the womb?

A. Well, the mother will have to be protected.

3396. *Q.* What I mean is this: If there is a prospect of an industry being started and there is no possibility of finding capital for it on account of the likelihood of that industry being swamped by outside competition. .

A. You mean to say whether I would contribute to the marriage expenses? I would, and to the bringing out of the child.

3397. *Q.* I do not want to take you to a political problem, but I think you said that if India is in the same position as the Dominions, then you would have no objection to preference being given. I take it you there contemplate fiscal autonomy for India?

A. Well, I do contemplate it, but under the present conditions it is of no use. If fiscal autonomy is placed in the hands of the Legislative Assembly. . . . . .

3398. *Q.* Of course that is what you and I desire. Before fiscal autonomy is given us, there should be no preference with these various parts of the Empire?

A. I mean by fiscal autonomy, fiscal autonomy in the hands of the Legislative Assembly and not fiscal autonomy in the hands of the Viceroy.

3399. *Q.* I do not want to discriminate.

A. But I do. So far as I am concerned, I would certainly have fiscal autonomy in the hands of the Legislative Assembly.

3400. *Q.* You must have fiscal autonomy before any question of preference is considered?

A. I do not know before or after, but I do think that with fiscal autonomy in the hands of the Legislative Assembly things would be very much facilitated and many things would be accomplished.

3401. *Q.* The question was put whether the Legislative Assembly could be invested with fiscal autonomy before giving representation to the Indian States. Are the interests of the people of the Indian States in any way different from those of British India?

A. I have said before that I do not conceive *qua* economic questions any conflict between the Indian States subjects and British Indian subjects.

3402. *Q.* You were asked about preference, and an attempt was made to define preference, and you were asked whether you would have any objection if the word 'reciprocity' is used. You agreed that you would have no objection. I want to put to you this: where you give to one set of countries a lighter duty and to another set of countries a higher duty, is not that literally and scientifically within the definition of the term 'preference?'

A. Well, at present it is used in that sense.

3403. *Q.* I am putting to you a concrete case. Take the Empire, the United Kingdom and the Dominions together. Suppose you impose a duty of 20 per cent. upon outside goods and 15 per cent. upon goods imported from the United Kingdom and the Dominions. That undoubtedly is preference?

A. Undoubtedly.

3404. *Q.* There is no question of reciprocity there?

A. It is not a question of reciprocity. I would not do that until I had similar advantage from the other countries in the Empire.

3405. *Mr. Coyajee.*—*Q.* With reference to your answers to Questions Nos. 20 to 24, you are arguing there about the incidence of protectionist import duty " Remembering always that it will not be the agriculturist in every case who would use the new Indian manufactures thus protected." That means that the agriculturist will not be hit very hard by the protectionist import duties. On the other hand if Protection is introduced through export duties, then undoubtedly the whole sacrifice will be concentrated on the producer of the raw material, who is generally the agriculturist. Is that not so?

A. Do you question my statement that it is the consumer that has to pay? If you economically question that, then your question arises; otherwise it does not arise. I say that the export duty amounts to an import duty at the other end. Therefore, if the consumer has to pay, the consumer at the other end pays. My agriculturist does not pay. If my proposition is correct that the consumer pays in all cases, then your question does not arise.

3406. *Q.* Permit me to suggest this. By the export duty, the price of the raw material is increased to the foreign importer. Let us take hides and skins. The foreign buyer of the hides and skins to whom the price is increased will presumably take a little less.

A. I do not know that at all. Has it not happened in your experience and in my experience? We have been getting neck-ties for a rupee when we were young people: now we pay Rs. 5. Do you use a lesser quantity of ties now than you used then?

3407. *Q.* Our incomes have largely increased.

A. That may also happen in other countries.

3408. *Q.* It depends on the question of needs and luxuries, dispensable and indispensable articles. The indispensable articles would be bought at any price almost or at little higher price than the consumer would pay for the dispensable. There are certain raw materials we export which are dispensable to other countries, though certain other raw materials we export may be indispensable to them.

A. Then I would use discrimination. If I find that by putting export duties my raw material is not produced and I cannot turn my land to some other advantage, certainly I would use discrimination.

3409. *Q.* You would not then sacrifice the agriculturist?

A. I would not sacrifice anybody's interests.

3410. *Q.* You say " The State and the wealthy cannot be left out of consideration as the most likely consumers." Have you left out the middle classes? You say that 90 per cent. of our population are agriculturists. They are poor. Of the remaining 10 per cent. let us take the wealthy to be 1 per cent.; the middle classes would be 3 or 4 per cent. Those will be the people who will be sacrificed to the introduction of protection?

A. Well, they would.

3411. Q. They have already been hard hit by the rise of prices. Their incomes have not increased *pro tanto*?

A. Well, if we go into that question it is rather difficult to analyse. We are mostly having revenue duties, and if at any stage the Government were inclined to favour the middle classes and tax them lighter than the others, I would certainly agree. But so far as revenue duties are concerned, if you put duties as much as they can bear, then of course my protective duty is the difference between the revenue

duties and the other duties, so that would be a very small fraction.

3412. *Q.* You say it might be made up to the middle classes. What I meant to say was that the middle-class man has a certain standard of living and the poorer class man has got a certain standard of living. The middle-class man has to keep up some sort of show, and therefore, even if the cost of the imported article goes high, he must buy them, whereas the poorer class man can dispense with the use of those things.

A. If you can, you can discriminate those things. If you cannot they must be helped in some other way.

3413. *Q.* Whether we separate them or not the sacrifice will come on them?

A. When I say all consumers, the middle-class men also come in.

3414. *Q.* Suppose a proposal was made by one of the Dominions to give us reciprocity, that is to say fiscal favours on our tea and coffee in return for free export of certain raw materials they want. Would you accept it?

A. That is exactly the line I have taken. I am in favour of preferential tariff on two conditions and those two conditions would be summed up in the word "reciprocity." I use the words equal status, equal bargain, equal advantage, and therefore my ears are all open and I would certainly accept that proposition by all means.

3415. *Sir Montagu Webb.*—*Q.* I understand that you have had personal experience yourself in agriculture, flour mill industry, spinning and weaving mill, glass manufacture and metal works. Can you tell me out of your personal experince, if any of these trades has suffered from existing duties, import or export?

A. Among the trades in which I have been concerned, there has been no export duty on wheat or flour, and therefore I could not have had any experience there. With regard to import duties which apply only to the other trades, when I was in the spinning and weaving mill, whenever I wanted some stores they were certainly much more expensive than stores in England.

3416. *Q.* Mill stores? But they came in free.

A. I think we had to pay a duty; at any rate they charged me. Perhaps I might claim a refund.

3417. *Q.* I think you may take it from me that there was no duty on mill stores. Can you tell me if any of the industries in which you have been engaged would benefit by the imposition of duties now?

A. Glass.

3418. *Q.* We might commence with agriculture. Can you suggest that agriculture will benefit by the imposition of export or import duties?

A. No doubt where agriculture is susceptible to manufacture, it might benefit because it will find a ready market, a much readier market than at present.

3419. *Q.* By the imposition of an export duty or an import duty?

A. By the imposition of an import duty on corresponding articles manufactured of the raw material elsewhere.

3420. *Q.* Are you not rather referring to the industries?

A. If you ask a general question, my answer must be long-winded and complicated, but if you split up your question into several parts then my answer will be definite and to the point. If you ask me whether the produce which is now exported by the agriculturist would be affected favourably or unfavourably by an export duty, I argue that it will not be, because I maintain that the export duties should be paid by the consumer at the other end. It is not affected, except when the export duty is such that it stops the thing going out, but that would depend on the needs and requirements of the importing country, not of our own country.

3421. *Q.* I understand your reply is "No." Can agriculture be benefited by an export duty or an import duty?

A. I should say it is not benefited.

3422. *Q.* Now, we will come to the other side, the industrial side. You yourself are experienced in flour mills, cotton spinning and weaving mills, glass and metal. Can any of these industries benefit?

A. I have said glass factory, flour mill and spinning and weaving mills. Metal manufacture is so complicated that some parts would be and some parts would not be. I have had very limited experience of it, but I can concede that some of the metal industries would benefit and some of them would not benefit.

3423. *Q.* Some metal industries would benefit by import duties?

A. Yes.

3424. *Q.* Please see your reply to Question No. 5. You say "The existing tariff policy has left the Indian industries in the condition of a baby without a nurse." This little book here (Thacker's Directory of the Chief Industries of India, Burma and Ceylon, 1920), contains 346 pages, with approximately 15 industries on each page, *i.e.*, over 5,000 industries. Would you say that the whole of these 5,000 industries in India are in the position of a baby without a nurse and that they would shiver and perish if left unnursed? Does not your answer need some qualification?

A. Well, when a man says Indian industries, does it mean all Indian industries?

3425. *Q.* Won't you say "some"?

A. I would say "several." I give you a brief answer; you have not to look at that book; you have to look outside that book. What has perished is not in that book. If anybody can look outside that book, then he will find that my baby has died.

3426. *Q.* That is exactly what I am referring to. It appeared as though you were referring to the live ones rather than to the dead ones.

A. Are you sure that everything in this book is in a flourishing condition?

3427. *Q.* No.

A. Then my answer is there. If most of the industries mentioned here are not in a flourishing condition, then my answer is there. Let us go step by step. I find on page 71, oil industry. You said there were 15 industries in one page. Bupendro Oil Company, Chaparka Oil Company, Surma Valley Oil Mills, Sylhet Oil Mills. Would you make these one industry or 4 industries? The 5,000 industries dwindle down to 500.

3428. *Sir Edgar Holberton.*—*Q.* I think Sir Montagu means separate concerns.

A. The impression created by your question in my mind was that I did not know anything about Indian industries, that there were 5,000 industries flourishing and I had been sleeping. But now of course it is a different thing.

3429. *Sir Montagu Webb.*—*Q.* Will you give me a few examples of the several industries that are like a baby without a nurse?

A. Soap, varnishes, efforts have been made to make tallow in the country, leather would come in some form or other.

3430. *Q.* You give it as your mature opinion that the result of the existing fiscal policy is that most of the industries are in a moribund condition. I venture to suggest that your answer requires some modification and that most of the industries are not in the bad way that you suggest. If you said some industries it would be all right.

A. The food production of India has been left. That is an industry also. The printing industry is also industry in a form. But there are some industries which cannot be transported. There are any number of notices issued, and the printing presses get the income. As an industry, it might be mentioned in this book also. That of course is not susceptible to this discussion, except where the question comes in of production of articles, which can be transported. I think I am quite right in my way of thinking. 40 or 50 years ago, in my father's household, the foreign article did not find so much demand as it does now in my house and some of the articles that we would have used or could have used then are absolutely non-existent now. For example, various kinds of cloth, hand tools, requirements for horse equipment, men's equipment, various kinds of things required for bathing, articles required in the agricultural industry, for instance little saws, hatchets, all these used to be manufactured here, but now we get them from abroad, and the tariff policy to some extent would contribute because it is a factor in the cost production.

3431. *Q.* Still there are some industries, however, in India that are flourishing?

A. I think the one industry on which the whole of India's attention is turned and your attention too is the cotton mill industry, and I think that is really two-thirds of our whole game.

3432. *Q.* Possibly the jute industry.

A. The jute industry is a special industry, because

it is a monopoly. Cotton is not a monopoly and jute is a monopoly. That of course stands on a different footing altogether.

3433. *Q.* Possibly flour and rice mills?

A. I said the food cooking is not done as yet by England for us. Washing clothes is not done by outsiders as yet for us. That is a very flourishing industry. It is done in the country and it does not require any tariff protection.

3434. *Q.* Could you explain a little further the following point? You stated that a tariff would be useless at the earlier stages of an industry?

A. I did not say that.

3435. *Q.* Yes, I wrote down your own words: and a little later on you said you would contribute to the marriage expenses of an industry?

A. When I said useless, I meant it will not be sufficient. It would be a very thin meal.

3436. *Q.* And the marriage expenses you would contribute in the form of a tariff?

A. I did not say that at all. I said tariff is one of the ways of helping. I would not only help in one way, but in several ways.

3437. *Q.* I understood you to mean that you would contribute to the very early stages of inception of an industry, but not necessarily through a tariff?

A. Because that would not be sufficient.

3438. *Q.* You deplore the dependence of India on outside imports?

A. I do.

3439. *Q.* Great Britain cannot live for more than a fortnight without outside support. Great Britain is much worse than India.

A. I pity England for that, if that is so.

3440. *Q.* There is another point here upon which I should be glad if you could give us a little further information. In deciding when a baby becomes a child and a child becomes an adult in its industry, you said that your method of judging would be chiefly by the balance sheet. If the industry was not going well, it obviously needs Protection, but if it is doing well, it obviously does not need Protection. Do you take into consideration the natural advantages of the country and the locality in this matter?

A. I would.

3441. *Q.* The reason why I ask is because it is conceivable that an industry might be started by inexperienced people in an unsuitable locality, and in that case the balance sheet would show deplorable results. But that would not necessarily suggest that it should be protected?

A. That would not be my sole test. I would look at the balance sheet and then enquire whether my helping would really save the child. I am one of those cruel people who think that if the child must die, they should not take any further notice of it.

3442. *Q.* You would first look to the balance sheet. Would you next look at the capacity?

A. I would look at all the factors that make for success in an industry like a practical man.

3443. *Q.* With regard to cotton industry, you said you would protect a part of that industry. For example, if you had to import Egyptian and American cotton, you would be inclined to give some sort of Protection by way of a tariff?

A. Yes.

3444. *Q.* May I ask if you would favour State aid to agriculture in order that it might grow long staple cotton in this country? Will that not be a better way? It is grown in Sind?

A. That we are already doing.

3445. *Q.* Would you favour the improvement of the cotton industry in this country rather than a tariff?

A. I would not wait. If for acclimatisation or seed selection, or other reasons, it takes 10 years to grow the quality of cotton that we want to spin, I would not wait for those 10 years, but import cotton from Egypt and start the industry.

3446. *Q.* You would not fear that protecting the industry would remove the anxiety in the private individual's mind for improving his cotton?

A. No. I think rather it would be an inducement to him. If he knows that the chances of selling are limited, he grows less. If he, on the other hand knows that large demands exist, it would be an incentive, and it might turn the tide in his favour.

3447. *Q.* And from the general trend of your evidence, I gather you would readily encourage the improvement of cotton?

A. I am doing it. I am the Minister for Agriculture at the same time as the Minister of Industries. That is why I said there is no conflict.

3448. *Q.* On the question of Imperial Preference, you have given a thoroughly rational definition of Imperial Preference. I think we may take it that it means mutual preference.

A. Yes, mutual.

3449. *Q.* You state that you thought that the economic status of India was not equal to that of other countries. Can you tell me where you think the economic state of India is capable of improvement? Where are we at a disadvantage?

A. One thing has been mentioned that the Colonies have a different tariff system and different ways of assisting industries from ours. The laws and practices which govern us are not similar to the laws and practices which govern the Dominions.

3450. *Q.* I would concentrate on the question of tariff. Has not the position arisen in which India is to all intents and purposes able to draw up its own tariff?

A. For the last 11 months that has been the impression.

3451. *Q.* Now that we can draw up our own tariff, are we not economically of the same status as the other countries?

A. Not quite. The question of shipping and insurance would come in. When I talk of the economic factor I do not simply give place in my mind only to tariff. There are other factors. We cannot have control unless the shipping is our own. We have not got any shipping of our own, and therefore the shipping policy and freights are not fixed in the interest of Indian commodities as they are fixed in the interest of England and the Colonies. That is a fact which we need not labour. We have been in the commercial world and we all know that.

3452. *Q.* With all respect, Mr. Harikishen Lal, I myself have managed some lines of steamers for the last 30 years. Personally I am not aware of any such thing. I am not aware that India is at the slightest disadvantage. I am very anxious to get information, because I believe that so far as shipping is concerned, we are in a strong position.

A. Take one instance which has been suggested to me, cement coming from England to India. At what freight is it brought?

3453. *Q.* It may at times be brought very cheaply.

A. That is one instance. I might give you another instance. I have been exporting flour to England and once or twice I tried to export wheat to England, and others have done the same, but our experience has been that wheat landed by us in England has cost more than it has cost other people, foreigners.

3454. *Q.* Who are the other people?

A. Rallis, Volkarts, Louis Dreyfus.

3455. *Q.* You feel that legislation could put this matter right?

A. That is another question. Legislation, tariffs and one's own shipping are three different questions, and I never said there was a sovereign remedy for all our troubles. But I do take note of the existing facts.

3456. *Q.* These are the matters in which you think we are not economically sound?

A. These are the illustrations.

3457. *Q.* Those who oppose a protective tariff fear that the rise in price to the Indian consumer would add to the economic discontent of this country. Have you regarded the problem from that aspect?

A. Yes. I think not, and I have answered it before.

3458. *Q.* Those who object to a protective tariff have argued that it would stimulate the development of industries in this country and might jeopardise the growth of food by the transfer from agricultural to industrial operations of an unusually large amount of capital and labour and they fear in that way that the food supplies not only of India but of the whole world might be jeopardised. Do you think there is anything in that?

A. Nothing in that at all. First of all we have to fix up the question of the quantity of labour required in industries. The quantity of labour required compared with the agricultural population would be so small that it would be negligible in the field of agriculture. That is one reason, and another reason is that everywhere efforts are being made to introduce automatic machinery and labour saving appliances, and this applies to agriculture also, and therefore the labour would be saved there;

and the third is that from Sir William Hunter's time we have been hearing that the agricultural labour does not find sufficient occupation, and occupations have to be found for the surplus labour or the half occupied labour, and therefore instead of doing them any harm, we will be doing them some service.

3459. *Q.* I mention this, because the population of India is so large that it is feared that in the event of a food shortage in India, it might be difficult to be able effectively to get food from outside.

A. That would be on the plea that some of the land goes into pasture or waste, but that is not the modern experience at all. The experience of India is that more land is coming under cultivation and less land for pasture is being kept and less land is waste.

3460. *Mr. Narottam Morarjee.—Q.* The day before yesterday, Mr. Townsend said that the climate of the Punjab is not suitable for the cotton industry. What is your experience?

A. My experience is that the Punjab is as suited as Ahmedabad, Cawnpore, Delhi or Nagpur. There is no difference.

3461. *Sir Maneckjee Dadabhoy.—Q.* Sir Montagu Webb asked you whether agriculture can be benefited by an export or import duty and you answered in the negative. May I ask whether the removal of import duties on agricultural implements and forestry implements would not benefit agriculture?

A. The negative would have the opposite effect, is it not? Certainly it will benefit agriculture.

3462. *Q.* I do not understand your point about shipping. Do you contend that shipping companies are giving preference to European exporters?

A. That is my impression.

Witness No. 21.

Mr. CLIFTON A. SHINQUIN, Superintendent of Tanneries, Department of Industries, Punjab.

Written statement, dated the 16th November 1921.

3463. I have been requested by the Punjab Government to give evidence relative to the Indian tariff and I am therefore forwarding my reply to the questionnaire. I have tried to confine myself to hides, skins and leather as those articles form a large part of the exports from the Punjab. I might add that I have been in India less than a year and that most of my views have been drawn from a knowledge of the American hide tariff.

3464. *Q.* 1. I believe in a protective duty on competitive articles imported, when it will benefit the manufacturers and result in an economic advantage to the people generally.

3465. *Q.* 15. *Dumping.* At present the market is well supplied with German goods at lower prices. Normally a high tariff would offset this condition, however it is necessary to consider actual costs of production as well as paper marks. In short, time will determine whether the present German prices are temporary or will rise to other foreign price levels.

3466. *Q.* 18. I only know of one American tanner who has established a branch tannery in Canada to derive the benefits of Imperial Preference. Some American glazed kid manufacturers handle only skins from British India but the fact that the industry is quite centralised, the 10 per cent. rebate has not induced tanners to move.

3467. *Q.* 19, 20 and 21. In the protective tariff system it must be determined as to where the benefit will lie; *i.e.*, if an import tax is made on raw material how much will it protect the producer of the raw material in the country, and how much of the tax will be passed on to the consumer. Generally all of it is passed on, for if a plant is operating on the most efficient basis it cannot absorb all of the increase in raw material. I also doubt if the producer of raw material would derive the full benefit of the tax. At present no average manufacturer can absorb increase in price of raw materials. Either prices will not go back to normal or retail prices will increase on the imposition of duties.

3468. *Q.* 26. I consider that the net results would be better by bargaining than by the method of retaliation in case of discriminatory tariff rates.

3469. *Q.* 27. Yes.

3470. *Q.* 28. Make it detailed rather than general, but general as far as is possible.

3471. *Q.* 29. Yes.

3472. *Q.* 30. Export duties on raw stock should be chiefly for revenue.

3473. *Q.* 31. Export duties generally tend, in the case of raw stock, to cause manufacturers to look in a new field for their supplies. For example, previous to the war, Germany controlled the hide market in India, but since that time the 15 per cent. duty has caused Germany to look to China and South America and even to buy Chicago packer hides, while the United States has done most of the hide business in South America on account of the better product and better prices. Germany still buys some Indian hides but the tendency is to purchase through non-English firms. At present there is a very slight demand for hides on the Continent although Italy has been a good buyer recently.

3474. *Q.* 32. An export duty on raw material to encourage its manufacture is an excellent idea, provided the product can approach the grade of foreign manufacture.

3475. *Q.* 43. Tanning. Superintendent of Tanneries, Punjab.

3476. *Q.* 44. Yes. Abundance of raw stock. Cheap labour.

3477. *Q.* 45. Yes.

3478. *Q.* 46. Far behind. Very few equipped plants and no organization of the industry as a whole.

3479. *Q.* 47. Local markets entirely for finished stock. Some *desi* leather is exported in the crust.

3480. *Q.* 48. (*a*) In competition with foreign leather there is none except price. I have seen no Indian leather equal to English sole leather or American glazed kid or Patent leather. Some very good chrome upper leather is made but the average is only fair.

3481. *Q.* 49. Better supplies, quicker deliveries and better workmen.

3482. *Q.* 50. I do not feel that my short time in India warrants my stating definitely one way or another, however, I feel that it is more of a case of instruction first and Protection later. As for raw stock, to impose a high tariff is not fair to the exportable surplus and to tax skins very heavily because few are tanned would divert the buyers to other markets.

3483. *Q* 51. I do not think that India will always require Protection, but it would be advisable to tax finished articles of leather to stimulate their manufacture within the country.

3484. *Q.* 58. *Desi* leather is exported and known as India half-tan and in the American tannery in which I worked we made cheap patent leather by retanning and buffing the grain.

3485. *Q.* 59. At present it requires several finished products as raw materials and to my knowledge these raw materials are unavailable. By raw materials I mean sulfide, bichromates, extracts, dyestuffs, etc.

I have not answered Questions Nos. 61 to 69, but have asked several of the larger hide and skin exporters of the Punjab to express their views so that you should get a representative opinion of the hide and skin trade.

3486. I have some statistics regarding the hide and skin tariff in connection with America and if there are any specific questions which arise concerning the hide and skin business in the Punjab I should be only too pleased to give what other information I may have,

Oral evidence, Lahore, the 7th December 1921.

3487. *President.*—*Q.* Mr. Shinquin, you are at present Superintendent of Tanneries?

A. Yes, Sir.

3488. *Q.* Are you an American citizen?

A. I am.

3489. *Q.* Temporarily resident here?

A. Right Sir.

3490. *Q.* Have you had long experience of tanning in America?

A. I have been a tanner all my life.

3491. *Q.* Where do you come from?

A. A city 10 miles from Boston (Woburn).

3492. *Q.* Did you deal with Indian hides?

A. Yes, from 2,000 to 3,000 hides a day, mostly Simla framed hides. They come from the Simla District. They are mostly sun dried or air dried and seem to be the best quality of hides produced in India. The average quality of Indian hide is poor, though some turn out very good.

3493. *Q.* What is the percentage of poor hides among the Simla framed?

A. Only about 2 per cent.

3494. *Q.* Are the hides resorted in America?

A. The hides might have been resorted in the Boston Office.

3495. *Q.* Would you class them as first class?

A. They are good hides.

3496. *Q.* Did you deal with Burma hides?

A. Never.

3497. *Q.* Did you get any skins from British India?

A. I was not a glazed kid tanner, therefore I did not handle skins, however a very large number of goat skins are exported from British India to the United States of America.

3498. *Q.* You say in your answer to Question No. 18, that the 10 per cent. rebate has not induced tanners to move, as the industry is centralised. What do you mean?

A. You have a preferential tax to the extent that if skins are shipped to any other part of the Dominions from India you get a rebate of 10 per cent. whereas if shipped to America you have got to pay 15 per cent., (but if transferred thence to Canada you get 5 per cent. off). But none of the American tanners to my knowledge have viewed this with concern, neither has this 10 per cent. affected the trade at all. Most of the finished kid (about 60 per cent.) goes to England, France and Italy and so the 10 per cent. duty is recovered from them indirectly.

3499. *Q.* Your answer to Question No. 31: "Export duties generally tend, in the case of raw stock, to cause manufacturers to look in a new field for their supplies." By export duties, you are talking from the Indian point of view? Is there no export duty in America?

A. No.

3500. *Q.* You continue: "Previous to the war Germany controlled the hide market in India, but since that time the 15 per cent. duty has caused Germany to look to China and South America and even to buy Chicago packer hides. . . . . ." That is to say, Germany nowadays in your opinion is definitely taking less Indian hides?

A. Everybody is taking less hides at the present moment owing to the unfavourable market. But I understand Germany is taking more from other countries than from India. Both Germany and Austria used to take all their requirements in hides from India before, but have now gone elsewhere.

3501. *Q.* Do you think that the export duty has hit the hides people harder than the skins people?

A. I should think so.

3502. *Q.* Is there a high competition for Indian skins in the world?

A. Yes, the world cannot produce sufficient skins. India is the largest skin producing country in the world.

3503. *Q.* With reference to your answer to Question No. 50. . . . "I do not feel that my short time in India warrants my stating definitely one way or another, however, I feel that it is more of a case of instruction first and Protection later." Would you mind telling me just what you mean by that? I gather from your reply that the industry could be helped more by instruction than by Protection?

A. To begin with we do not make good leather to-day. The grade is very poor. Indian leather is not good.

3504. *Q.* Is that because the hide is bad?

A. Both method and hide.

3505. *Q.* If you improve your method could you materially improve the condition of leather?

A. I believe it will be some time before Indian leather will be able to compete successfully with foreign manufactured leather. It will take a long time.

3506. *Q.* Meantime you consider the industry is definitely wanting in instruction?

A. I do.

3507. *Mr. Narottam Morarjee.*—*Q.* Question 47: You say "Local markets entirely for finished stock. Some *desi* leather is exported in the crust." Will you please explain what is 'crust'?

A. Crust leather is one which is limed, unhaired and sewn up in bags, tanned, oiled off and *not* finished.

3508. *Q.* Question 51: You say in your answer "I do not think that India will always require Protection, but it would be advisable to tax finished articles of leather to stimulate their manufacture within the country"—Could you give us any idea of the duty to be charged on these imported finished articles?

A. I do not think I am qualified to answer that question.

3509. *Sir Montagu Webb.*—*Q.* I gather from your replies that you are in favour of a policy of Protection in order to develop the leather industry in this country?

A. Yes, I am.

3510. *Q.* But that you don't think that an import tariff in itself is sufficient to create a leather industry?

A. No.

3511. *Q.* You say "instruction first and Protection later"; do you think that other things are required than the tariff to build up industries?

A. Yes.

3512. *Q.* You recognise that the consumer has to pay higher in a protective tariff?

A. Right.

3513. *Q.* Do you think in your experience that it is an advantage that the consumers should be generally taxed in order to build up an industry?

A. It is an ultimate advantage. They will suffer now but gain later.

3514. *Q.* Question No. 32: "An export duty on raw material to encourage its manufacture is an excellent idea, provided the product can approach the grade of foreign manufacture." Will you please tell us why it is a good idea?

A. I think it is rather a theoretical idea than practical. The idea is solely to further the tanning industry.

3515. *Q.* Don't you think that the export duty has lessened prices?

A. I do not feel qualified to answer yes or no.

3516. *Q.* Could you tell us why the United States has not adopted the excellent idea of putting on an export duty?

A. Well, the United States of America is largely a manufacturing country. We have large supplies of raw material, but practically speaking we do not ship very much raw material outside the United States.

3517. *Q.* You perhaps don't know that there is an Article in the Constitution of the United States preventing the imposition of an export duty. This could not be put on because the producers of the raw material objected?

A. Yes.

3518. *Q.* So that in the United States at any rate producers thought it such hard lines that they fought toughly against it and there are no export duties in the United States?

A. That is an historical fact.

3519. *Q.* In your opinion it would be a good thing in this country to stimulate the leather manufacture in this way by means of a duty?

A. I don't know that it could be worked out

3520. *Q.* You think that this country would require full instruction first?

A. Exactly.

3521. *Q.* In reply to Question No. 59 you say "At present it requires several finished products as raw materials and to my knowledge these raw materials are unavailable. . . . . " If this country adopts a general policy of Protection would you in that case allow all these things to come into the country free or would you have a 25 per cent. import duty on them. We have got to advise Government what fiscal policy to pursue in India.

A. Certainly. These things can be manufactured here, because most of them are bye-products: sulfide, bichromates, extracts: everything except dyestuffs.

3522. *Q.* Would you recommend an import duty to encourage their manufacture in this country?

A. A small tax would do.

3523. *Q.* Might it not handicap the leather industry?

A. The present manufacturing chemist does not take up the work here, and some sort of inducement is essential to start the manufacture of bye-products.

3524. *Mr. Coyajee.*—*Q.* Your statement in reply to Question No. 50 "instruction first and Protection later" means that the time has not yet arrived, according to your opinion for the protection of leather articles?

A. Protection must necessarily follow instruction.

3525. *Q.* As regards your replies to Question No. 31, are you aware that in the Punjab the producers of hides and skins have been hit by the export duty?

A. I am.

3526. *Q.* Generally, you would not bring protection at all by a system of export duties: You would afford Protection by means of import duties in this particular case. You would not have Protection extended to the leather industry mainly by export duties?

A. No. With import duties rather than export duties if Protection is to be used.

3527. *Mr. Seshagiri Ayyer.*—*Q.* Regarding Sir Montagu Webb's enquiry as regards your views with reference to Question No. 59, I take it that you would not advocate the imposition of import duties upon such material as would be required to make finished articles in this country?

A. Not too heavy an import duty.

3528. *Q.* Do you think that a large percentage of these things can be manufactured in India?

A. From my own point yes except the dyestuffs.

3529. *Q.* Would you not impose a heavy import duty on dyestuffs?

A. I cannot give a decisive answer since the tanning industry does not use as much dyestuffs as other industries. Personally I would not impose a heavy duty.

3530. *Q.* Do you think it would take a long time for India to compete with foreign leather goods? What are the obstacles?

A. Generally speaking, conditions, climate, water, product of the animal and the workmen—chiefly the workmen.

3531. *Q.* In course of time if the workmen be good enough India would be able to manufacture her own finished leather goods as America does?

A. There must be heriditary craftsmen. In course of time when the Indian craftsmen learn the work there will be no difficulty.

3532. *Q.* Have you ever known that a tannery has been started in Madras?

A. I know, but I have never been to Madras, or any other part of India except Bombay and Cawnpore.

3533. *Mr. Mant.*—*Q.* You advocate an import duty on leather to stimulate manufactures in this country?

A. Yes.

3534. *Q.* Do you speak specially of the Punjab or of India generally?

A. I doubt if the Punjab imports very much fine leather. I expect Bombay and Calcutta import far more.

3535. *Q.* You are thinking more of them when you advocate an import duty?

A. Yes, though it would be harder on them. But I still think in order to foster the Indian industry you should have a duty on finished product.

3536. *Q.* But in Cawnpore I understand they are turning out finished products for many years without Protection? Why do you think that cannot be done?

A. They do not compare at all with English and French fancy leather articles, or American. I think in Cawnpore they turn out one kind of leather.

3537. *Q.* It is merely for the fancy leather that you advocate Protection?

A. Yes; fancy bags, cigarette cases, etc., they are in much demand in India; you find them in a good many shops.

3538. *Mr. Jamnadas Dwarkadas.*—*Q.* In answer to Question No. 31, you say that the export duty at the present moment is practically doing harm to the export trade?

A. To a certain extent, because world conditions are the same throughout. Leather business is very poor.

3539. *Q.* Instead of having a large export duty if you have a 5 per cent. duty would it make any difference in the export trade? Suppose it was a small import duty then the trade would bear it?

A. As the situation stands, if there is a demand for their goods they would pay the tax anyway.

3540. *Q.* Mr. Mant was just asking you whether you approve of an import duty on finished products?

A. Yes, it would not tell heavily because they are imported for the rich class; besides I believe it would encourage the home industry.

3541. *Sir Maneckjee Dadabhoy.*—*Q.* In your answer to Question 31, I understand you refer to hides and skins only?

A. Yes.

3542. *Q.* Am I to gather from your evidence today that there has been a general depression in the hide and skin trade throughout the world?

A. Yes.

3543. *Q.* May I gather from your evidence that in your opinion it is not the imposition of this 15 per cent. export duty which chiefly contributed to the depression of the hides and skins trade?

A. I still feel that this tax has certainly made some difference. It is not the main cause, but it is contributory to a certain extent.

3544. *Q.* It is not the main cause, but it is a contributory cause, in your opinion?

A. Yes.

3545. *Q.* Do you think that the hides and skins trade has been destroyed merely because of the 15 per cent. imposition, or on account of the 10 per cent. rebate given to the Empire? Could you enlighten me on that point?

A. I cannot give exact figures.

3546. *Q.* But don't you think that this rebate to the Empire has prevented our best buyer, Germany, from buying from India, because Germany cannot compete with England with the 10 per cent. rebate?

A. To a certain extent, yes.

3547. *Q.* Before this general depression took place, apart from India, from what other countries was America buying hides and skins?

A. Hides from South America and hides and skins from South Africa and China. South American hides being the best of the above descriptions.

3548. *Q.* Did they take from China too?

A. Yes.

3549. *Q.* And with this export duty you would have bought it cheaper from South America than from India?

A. Chiefly from South America and China before the war. After 1914 we purchased from India.

3550. *Q.* Then I understand that you would not support the giving of a rebate to the United Kingdom?

A. All I can say is that Germany has bought hides in South America and in China. They have also bought in India.

3551. *Q.* Because they find those markets cheaper?

A. And better.

3552. *Q.* What is the reason for it?

A. World market conditions is one reason, and possibly price.

3553. *Q.* When do you expect this trade to improve?

A. I cannot say.

3554. *Q.* I would like to have some general idea as to when it will improve?

A. As soon as the stocks are sufficiently depleted, and when people require more shoes. Then the trade will pick up.

3555. *Q.* Are there large stocks now held in the European countries?

A. American stocks have nearly gone. England has still got some sheep skins.

3556. *Q.* All indications that point to this general depression will surely disappear?

A. I cannot say. As soon as they have more orders for shoes leather industries will be started.

3557. *Q.* In answer to Question 1, you say "I believe in a protective duty on competitive articles imported." What do you call this competitive article: Leather is the finished product?

A. Yes. For instance, leather highly embossed, and things like that.

3558. *Q.* What duty would you recommend?

A. All I can say is that in America they have an import duty of 20 per cent.

3559. *Q.*—Do you think that that could be applied to India?

A. Yes, with a rebate.

3560. *Q.* How will this duty affect the factories that are already started?

A. It may stimulate them to try and manufacture articles as good and as cheap as they can import.

3561. *Q.* So it will give the local industry an impetus?

A. I should think so.

3562. *Q.* It will not retard its progress in any way?

A. It should not.

3563. *President.*—*Q.* Sir Montagu Webb, as far as I understood him, said that the duty has not sufficiently depressed prices for the leather industry. As a matter of fact prices are extremely depressed. They are not buying articles through fear.

A. They were cheap 8 months ago.

3564. *Q.* The prices of the Indian hides are very cheap just now?

A. Even now I can buy cheaper and better hides in America.

Witness No. 22.

Rai Bahadur GANGA RAM, C.I.E., M.V.O., Lahore.

Written statement, dated the 28th November 1921.

3565. *Q.* 1. I favour policy of *free trade* for all raw materials including cereals, etc., and *Protection* for such manufactured articles as compete with local industries. I am not in favour of export duties for any raw or manufactured materials except on *raw jute and rice*. The reason for the last statement is that such raw materials which are competed abroad, for instance wheat and tea should not be charged any export duty. But jute and rice is not in the market from any part of the world, thus I see no objection to the charge of export duty on jute and rice. But such duty on manufactured jute and tea should be abolished.

3566. *Q.* 2. My reply to the first part is "yes" because direct taxation is extremely unpopular. Excise duty is most undesirable in any shape or form. The present practice of charging excise duty on textiles is extremely unpopular and has been condemned by every statesman in England, it is in the public opinion kept up to favour the interest of Lancashire.

3567. *Q.* 8. The imposition of excise duty is certainly prejudicial to the interest of the consumer.

3568. *Q.* 9. Yes.

3569. *Q.* 11. I favour the imposition of protective duties on the product of such industries for which there are no adequate number of factories until such time as others develop in India. The reason for this opinion is that the interest of consumer should always be kept in view and should take precedence over every other consideration. It has been our experience that Indian mills during war period had been making enormous profits because there were no competitors abroad in jute and cloth. Since we were manufacturing jute and cloth articles from raw materials produced in the country, the consumer ought to have had the advantage of the changed condition of the country rather than the shareholders of the mills.

3570. *Q.* 12. I would favour the Protection of such articles, the prices of which are affected by importation of foreign articles and my principle is what I have already explained that the interest the consumer should take precedence over every other consideration.

3571. *Q.* 13. I would start new industries by system of rebate and Protection. If Protection is given before the industries are in full swing, it will affect the rise in prices.

3572. *Q.* 15. Yes.

3573. *Q.* 16. I should like to encourage handloom industry even if some bounties or subsidies are necessary. My reason for this opinion is that there is a lack of employment in all parts of the country. If the cotton handloom industry is encouraged including spinning, it will give healthy employment to females not only for the purpose of making a little extra money but also for the sake of health. In other words the use of *Charkha* amongst Indian homes should be encouraged for the sake of health of the female population.

3574. *Q.* 17. Any combination of the kind which tends to increase prices should be strictly discouraged but if there is any combination calculated to keep the over-flooding of the market with one kind of industry, it might be allowed. In other words licensing should be introduced for such industries. For instance if there are Ginning factories, the capacity of which is more than the product of the district and are only kept up by system of combination, the addition of such industries should be prohibited.

3575. *Q.* 18. I should hail such foreign competition because after all they will employ Indian labour.

3576. *Q.* 19. Interest of producers of raw materials in India should certainly be considered. I do not advocate that any Protection should be given to them for that purpose. The interest of weaving industry should take precedence over that of spining industry because indigenous weavers are spread all over the country and it is the only class that has suffered most by the introduction of machinery, and is the only industry where male, female and children can be employed.

3577. *Q.* 22. No.

3578. *Q.* 23. The necessaries of life are "Roti," "Langoti" and "Koti," *i.e.*, food, clothing and shelter.

3579. *Q.* 24. The increased cost of living is no doubt covered to some extent by rise in wages but the question of servants, whether Government or private, who have a fixed salary, is a very serious one because while the increased cost of living may fluctuate from time to time according to the condition of the crops and other circumstances, man with a fixed salary suffers because he cannot adjust his expenses on a sliding scale.

3580. *Q.* 26—29. Yes.

3581. *Q.* 30. My view in this matter is that the export duty should be for the purpose of revenue as well as for giving rebates or bounties in order to stimulate industries.

3582. *Q.* 32. I am in favour of the principle that increase in export of raw materials is an incentive to increased production. Nothing can be gained by forcing retention of raw materials in India as there is plenty of room for production in this country and it is my experience that unless necessity compels the producer to produce more, he will not do it.

3583. *Q.* 33. No. It will have a very bad effect on the agricultural interest. The high prices of foodstuffs in India are likely to lead to further development of agriculture and to increased production from the land.

3584. *Q.* 34. No.

3585. *Q.* 35—36. Yes.

3586. *Q.* 37. The gain to India will be material.

3587. *Q.* 39. The answer to 2nd part is 'Yes.'

3588. *Q.* 40. By adopting the policy of preference as implied in the question, any rise in the price to the consumer will be temporary and will be fully counterbalanced by the encouragement of industries.

3589. *Q.* 41. I do not anticipate that the system of Imperial Preference will affect the balance of trade. The increase will generally counterbalance the decrease.

3590. *Q.* 42. No.

3591. *Q.* 43. I am interested in ginning and pressing cotton and I am also an agriculturist interested in raw material.

3592. *Q.* 44. There are natural advantages in India in developing industries connected with cotton and woollen textiles, jute articles, sugar, leather articles and the articles manufactured of forest products, for instance 'Ramie' grass, wood pulp and timber.

Oral evidence, Lahore, the 7th December 1921.

3593. *President.*—*Q.* You are a zemindar?

A. Yes.

3594. *Q.* You really speak on behalf of the zemindars and the agriculturists?

A. Yes.

3595. *Q.* You would deprecate anything which caused that class to pay more for their goods?

A. Yes.

3596. *Q.* That really is the ground work of your note, is it not?

A. Yes.

3597. *Q.* Do you think that some of the money which has gone in the shape of profits to the Indian mills during the war period ought to have come to the consumers instead of going to the mills?

A. Yes.

3598. *Q.* How could that have been managed?

A. For that reason I say that until the articles are sufficient to supply the demand they should not be unduly handicapped by any duties, and I have stated in one of my answers that until the industry is very well established so as to supply the demand the system of rebate might be introduced or bounty may be introduced in order to encourage the local industry.

3599. *Q.* I was going to ask you about that rebate. I do not quite know what you mean.

A. Supposing Java sugar is paying a heavy duty and the Indian sugar cannot supply the demand of the country. The Indian sugar industry might be given a rebate until such time as it is able to supply the demand.

3600. *Q.* You mean bounty?

A. Yes.

3601. *Q.* In your answer to Question No. 1 you include rice?

A. I mean to say that rice is a practical monopoly of India.

3602. *Q.* But it is not?

A. According to statistics it is.

3603. *Q.* Where did you get these statistics?

A. The Government of India statistics show that the area under rice cultivation in India, including Burma of course, is about 87 millions, while the area is only 2 million acres for the rest of the world.

3604. *Q.* As a matter of fact there is enormous competition from Bankok and Saigon.

A. I do not advocate it. But I say it might be put on such articles which are not competing in the market. For instance, jute is a monopoly of India, and therefore an export duty on jute will encourage the jute mills here, because they will get the raw materials cheaper and the foreigners will get the raw material a little dearer. Therefore it will encourage the jute industry here.

3605. *Q.* I shall elaborate that. You say in your answer to Question No. 2 that the present practice of charging excise duty on textiles is extremely unpopular and has been condemned by every statesman in England.

A. It has been condemned by every one. You may remember a speech of Lord Curzon in which he distinctly said that it was not a desirable duty.

3606. *Q.* The statesman of England have not really been responsible for this in any way.

A. That is a political question.

3607. *Q.* In your answer to Question No. 16 you say that there is lack of employment in all parts of the country. You mean in all parts of the Punjab?

A. No. In India, not in the Punjab. There is not so much lack of employment in the Punjab as there is in other parts of the country.

3608. *Q.* In your opinion there is much lack of employment in other parts of India?

A. For instance, in the United Provinces it is much greater than in the Punjab.

3609. *Q.* How is lack of employment met?

A. Agriculture and things like that. But there is no doubt that if there is one class which is very much hit, it is the weaver class, and that is the reason why I advocate very strongly the encouragement of the handloom industry. Also men, women and children can be employed in it. Therefore I say that something might be done to relieve their distress, and the only way to relieve their distress is the handloom industry.

3610. *Q.* Would you give bounties in order to help that industry?

A. Yes.

3611. *Q.* At the present moment is it quite alive?

A. No. It is dying out, fast dying out.

3612. Q. Is it?

A. Yes.

3613. *Q.* In your answer to Question No. 17, if I gather your meaning right, you would be a little afraid of the ginning factories, that there are really too many factories?

A. In some places, yes.

3614. *Q.* Your remedy for that is to shut them down?

A. In future not to allow any more of them.

3615. *Q.* You would not allow any more?

A. Yes.

3616. *Q.* That seems rather a backward policy?

A. If they increase, the remedy to adopt is to start the pooling system, but that of course goes out of the pockets of the zemindar.

3617. *Q.* In your answer to Question No. 32 you have got rather an interesting statement: "Nothing can be gained by forcing retention of raw materials in India as there is plenty of room for production in this country and it is my experience that unless necessity compels the producer to produce more he will not do it."

A. That is right.

3618. *Q.* You mean that men won't work?

A. No. There is the law of contentment which is ingrained in the people of the country. The producer, when he has just enough to maintain himself and pay the revenue, does not like to work hard. He has not got the ambition to keep some surplus for the rainy day.

3619. *Q.* You mean that by allowing free export of materials the producer will produce more?

A. Yes. He will produce more.

3620. *Q.* Do you think he will push up prices?

A. Yes.

3621. *Sir Maneckjee Dadabhoy.*—*Q.* You were in Government service for a large number of years?

A. Yes, for 30 years.

3622. *Q.* Your knowledge of business is only of a recent date, since you left Government service?

A. I left 18 years ago.

3623. *Q.* You have been in business since then?

A. Yes.

3624. *Q.* I understand you divide your tariff policy under two main classifications, one raw materials, and the other manufactured goods, and

that you advocate free trade for raw materials and Protection for manufactured goods. Am I right?

A. Protection for manufactured goods to a certain extent. I mean only those which compete with the local industry. Otherwise it will rather be adverse to the interests of the consumer.

3625. *Q.* Of course you recommend partial Protection?

A. Yes.

3626. *Q.* In your answer to Question No. 12 you say, "I would favour the Protection of such articles, the prices of which are affected by the importation of foreign articles, and my principle is what I have already explained that the interest of the consumer should take precedence over every other consideration." What articles would you protect the prices of which are affected by importation of foreign articles? Will you give me a few names of such articles?

A. I would select for protection only such articles which are affected by importation.

3627. *Q.* I want to know from you what the articles are of which the price is affected by foreign importation in your opinion?

A. I have not considered the question in that way.

3628. *Q.* You cannot give me any illustration in support of your statement?

A. I would illustrate by pointing to sugar.

3629. *Q.* In your answer to Question No. 13 you say, "I would start new industries by a system of rebate and Protection." To what industries willl you give Protection?

A. For instance things made of steel.

3630. *Q.* By rebate you mean bounties?

A. Yes.

3631. *Q.* You are in favour of maintaining the handloom industry and you don't think that the handloom industry will come into conflict with the power loom industry?

A. Of course power industry will kill it.

3632. *Q.* Has it killed it now?

A. It is killing it.

3633. *Q.* We heard yesterday that it was not killing it?

A. It is only temporary on account of the non-co-operation idea. Otherwise it has practically been killed.

3634. *Q.* This handloom industry in your opinion supplies employment to all parts of the country?

A. Yes, to the weaver class.

3635. *Q.* Would you give some sort of Protection to the handloom industry?

A. Yes.

3636. *Q.* What sort of Protection?

A. I have not considered in what way. It ought to be protected against power weaving.

3637. *Q.* You say in your answer to Question No. 17 that you would prohibit the addition of new ginning factories?

A. Only in places where their number is more than sufficient.

3638. *Q.* Who is to determine that?

A. The Director of Agriculture. He knows exactly what the produce of each district is.

3639. *Q.* It is not the production of the district, but it is the number of candies that come in for being ginned?

A. That depends on the distance and the question of cost.

3640. *Q.* Don't you know that where the reduction of a few annas is given in the ginning charges it diverts people there?

A. It is the question of cost that determines the producer to go and get the best price he can.

3641. *Q.* How does it affect the zemindar?

A. In this way. Supposing there are 300 gins. The produce is not sufficient to employ more than 200. Generally what they do is to make a pool among themselves, and say that every purchaser must pay 4 annas a maund in the pool, and they divide according to the number of gins.

3642. *Q.* The point is this: If they charge Rs. 5 for ginning one candy of cotton when they make a pool, they get about Rs. 3 or Rs. 4 for working expenses, and the remainder is put in factories.

A. That is different from the other system which I am referring to. Practically the centres buy their own cotton, gin the cotton and send it home or to other places. What they pay is simply determined among themselves. Suppose they pay at the rate of 3 annas. At whatever rate they may buy, that 3 annas goes in the pool, and that pool is divided on the number of gins, irrespective of who works or not.

3643. *Q.* Is it not possible that they will prevent the erection of more factories in your district, because they have a sufficiently large number of factories and those people have combined the existing factories?

A. They cannot combine, because the next district will rally. That is the fact in the Punjab.

3644. *Q.* In your answer to Question No. 19 you say, "The interest of weaving industry should take precedence over that of spinning industry." Do you refer to power weaving industry and not to handloom?

A. Yes.

3645. *Q.* Why should they not protect also hand spinners?

A. I have already said that the spinning industry should be encouraged. I mean some sort of encouragement. I have not considered in what form it should be given.

3646. *Mr. Jamnadas Dwarkadas.*—*Q.* You are interested in the ginning and pressing of cotton?

A. I am also an agriculturist interested in raw material.

3647. *Q.* Since your retirement you have been more or less an agriculturist?

A. Also I am a factory owner.

3648. *Q.* You are interested in this as an agriculturist. You have also made some experiments by applying scientific methods to agriculture?

A. Scientific methods is rather a wide term. My experience is that by sowing wheat with power plough you get a better production. A good deal can be done by scientific methods, for instance by incessant ploughing which means *aeration* and *rotation.*

3649. *Q.* I want to know what your experience has been with the different methods that have hitherto been applied in agriculture. Have they been successful?

A. A great number of them have. It has been found very difficult to introduce scientific machinery all at once, but scientific methods can be.

3650. *Q.* But suppose this method were applied in many parts of the country do you think that the result would be much better?

A. Judging from what I have achieved, I think it would be better. I have been very successful in that.

3651. *Q.* You get better results with a less number of men?

A. I would not reduce the labour but whatever labour I could command I would employ them to the best advantage.

3652. *Q.* In your answer to Question No. 11 you say "I favour the imposition of protective duties on the product of such industries for which there are no adequate number of factories until such time as others develop in India. The reason for this opinion is that the interest of the consumer should always be kept in view and should take precedence over every other consideration. It has been our experience that Indian mills during the war period had been making enormous profits because there were no competitors abroad in jute and cloth. Since we were manufacturing jute and cloth articles from raw materials produced in the country, the consumer ought to have had the advantage of the changed condiion of the country rather than the shareholders of the mills." It is a very interesting idea. Could you explain it?

A. You could have put a bar on their profits by saying that they should not charge more than 10 per cent. on the cost of production.

3653. *Q.* By control?

A. I am not in a position to say.

3654. *Q.* Some sort of legislation?

A. Something by which they could not charge more than 10 per cent. over the cost of production.

3655. *Q.* Would that not hamper the industry?

A. No. For they were never making more than 10 or 12 per cent. in normal times.

3656. *Q.* Would it not kill the impetus given to the industry?

A. For the sake of impetus give another margin.

say 8 per cent. But now they are making 200 per cent.

3657. *Q.* So you would be in favour of legislation to fix maximum profits?

A. Some method.

3658. *Q.* Suppose we have the duty fixed at 11 per cent. Do you think that the result will in any way be detrimental to the interests of the consumers?

A. I do not think foreign competition will stand 11 per cent. on account of wages and other things.

3659. *Q.* Then coming to your answer to Question No. 19, you say that weavers ought to have a preference over the spinners. Now, what is your experience of the weavers generally, I am now talking of the handloom weavers in this country. Do they generally use foreign yarn?

A. The small number of weavers who remain in this country generally use foreign yarn.

3660. *Q.* What is the reason?

A. Simply because they cannot produce by hand spinning that quality of yarn that would attract the consumer.

3661. *Q.* There is a large quantity of yarn produced by the Indian mills in Bombay and elsewhere?

A. Yes, that is all consumed by the local weavers.

3662. *Q.* Not necessarily foreign yarn?

A. I must have said power-spun yarn.

3663. *Q.* To-day the foreign yarn coming from Japan or England is exempted from duty on the ground that handloom weavers generally consume that yarn. Suppose you had an import duty just as you have on foreign cloth, would it in any way affect unfavourably the interests of the handloom weavers?

A. No. I think it can admit of an import duty, because that will encourage the local spinning mills.

3664. *Q.* Do you think this country has capacity to produce yarn to any extent for the weaving industry?

A. Yes.

3665. *Mr. Mant.*—*Q.* You say you are in favour of free trade for all raw materials and Protection for manufactures. Can you tell me what you exactly mean by raw materials? In my view the raw materials of one industry are very often the products of another industry, for instance yarn.

A. I would not call yarn a raw material. I only mean the direct produce of the land.

3666. *Q.* There is only one other question. In answer to Question No. 33, you say an export duty will have a very bad effect on the agricultural interests and that the high prices of foodstuffs in India are likely to lead to further development of agriculture and to increased production from the land. I gather from what you were stating just now that the high prices will enable the agriculturist to spend more on better methods of cultivation.

A. I will give you an illustration. When I started my lift irrigation, the agriculturists would not come to the land as tenants because they would not believe that the engine was capable of lifting the quantity of water required. I gave them 50 acres each to plough, but I now give them only 10 acres, and the production of the 50 acres then is equal to the production of the 10 acres now.

3667. *Q.* What you mean is that the high prices stimulated you to go in for the lift irrigation?

A. Yes.

3668. *Q.* Your point is that there will be more application of machinery and greater production from the land and also I presume more land will be brought under cultivation.

A. Yes.

3669. *Mr. Seshagiri Ayyer.*—*Q.* As regards the cotton industries you said that there should be no Protection if the consumer is not to be affected very much. The point was mentioned by a witness this morning—that the consumer is not likely to be affected very much by Protection as the imported articles are not used by him and if at all he is affected it would be a mere flea-bite, but it would stimulate industries.

A. I am in favour of the wealth of the country being increased. But in considering the wealth of the country the individual interests will have to be considered. 80 per cent. of our population are producers as well as consumers, and only 20 per cent. are non-producers. The producer-consumers form the majority of the population and they ought to be encouraged.

3670. *Q.* What I mean is this; in order to give an impetus to industries in this country, even though it may affect the consumer, as it will have the effect of retaining the wealth in the country itself, we should impose an import duty. No doubt there are difficulties: there will be some difficulty and some disadvantage will have to be suffered by somebody. But taking the advantages and disadvantages, would it not be to the benefit of the country that they should pay the higher price?

A. I regard this view as a socialistic idea.

3671. *Q.* Now, with regard to your answer to Question No. 16 you have mentioned in answer to Sir Maneckjee Dadabhoy that the handloom industry should be protected. I put it to you that the reasons are these. In the first place these men who are engaged in the handloom industry would consider it beneath their dignity to be employed in a mill. Similarly their women would look to their cooking and attend to the work in their leisure hours.

A. I do not know whether it is a question of dignity. It is a question of practical convenience. If they sit at home and do this sort of work they can do it at any time, and not be subject to factory laws.

3672. *Q.* Moreover these people are conservative.

A. I do not know whether it amounts to much in the Punjab.

3673. *Q.* In my part of the country these people won't go to any other work: they would rather starve. Therefore these are additional reasons for your position that the handloom industry should as far as possible be started and protected.

A. Yes.

3674. *Mr. Coyajee.*—*Q.* In your first answer you say that you favour Protection for such manufactured articles as compete with the local industries and then in answer to Question No. 12 you say "the interests of the consumer should take precedence." Your opinion comes to this: that we should have very moderate Protection?

A. Yes.

3675. *Q.* You represent the agricultural interests. Do you think the poorer agriculturists in the Punjab consume any imported article?

A. Yes, cloth he does.

3676. *Q.* You mean the imported cloth?

A. He used to get it much cheaper than *khaddar*, and especially the women folk used it.

3677. *Q.* So, the *khaddar* was not good enough?

A. Not for the women folk.

3678. *Q.* Besides that what would they utilise? Metals?

A. Yes. Metals would be used in husbandry.

3679. *Q.* Brass utensits?

A. Yes.

3680. *Q.* Could you tell us of the other imported commodities the poorer agriculturists use? Would they use sugar?

A. It is getting into practice.

3681. *Q.* Before this I thought the poorer men were using *Gur*?

A. Gur is now getting as dear as sugar. Then he uses cigarettes.

3682. *Q.* Even the poorer agriculturist smokes cigarettes?

A. Yes. Cigarettes are more used by the poorer men.

3683. *Q.* Do the richer men use cigarettes?

A. The richer people do not generally use cigarettes. The sweeper class and others use imported cigarettes.

3684. *Q.* Well, that is information. Anything else? It is very useful to know how far the imported goods are used and by what consumers they are used. It would also be useful to know what proportion of their incomes the poorer class and the richer class spend on imported goods. Will you kindly put it on paper and transmit it to the Commission?

A. Yes.

3685. *Q.* Then we come to your answer to Question No. 24. You say that the man with the fixed income suffers. Do you include the middle class people among those men with fixed salaries?

A. All those getting fixed salaries, whether Government servants or private servants.

3686. *Q.* The middle class men have been suffering?

A. Yes.

3687. *Q.* For 20 years prices have been rising. Has the income of the middle classes increased?

A. No, not to the same extent. The salaries of these people have been increased only recently.

3688. *Q.* In your answer about export duties and their results, you say you are not in favour of export duties being levied in order to help industries?

A. I am not.

3689. *Q.* And if Protection was brought in mainly by export duties that will cause some antagonism between the agrarian interests and the manufacturing interests? Is that so?

A. Our agriculturists are getting money by exporting. If they do not get money where will you get the capital for your industries?

3690. *Q.* It has been asserted before this Commission that if an export duty is charged, then the prices of agricultural produce would fall, and then inferior land would go out of cultivation. Do you agree?

A. Yes.

3691. *Sir Montagu Webb.*—*Q.* I understand that you have 18 years' experience of business since you retired from Government service. Can you tell me what the feeling of the cultivators, zamindars and ryots is with regard to the levy of an export duty? You yourself are personally opposed to it. Can you tell me what the cultivators generally think about this?

A. I do not know that sufficiently well. But it has not been tried yet.

3692. *Q.* You are opposed to it because it would tend to depress prices and deprive the cultivator of a part of the rewards of his labour, and you are similarly opposed to import duties because it would raise the price of the things he wants to buy. Do you think the country people understand this? Do you think they would be opposed?

A. I do not know whether they would consider that question from that standpoint.

3693. *Q.* They may be opposed to higher prices?

A. Yes.

3694. *Mr. Narottam Morarjee.*—*Q.* Can you tell me if India is in a position to supply clothing to her population?

A. You mean the manufactured cloth? Oh, no: not yet.

3695. *Q.* When India is not in a position to supply all her requirements we have to depend on foreign cloth. Now you say that the Indian mills are charging high prices. Suppose the Indian mills do not sell cloth at the same price as the foreigners then India should buy foreign cloth at a higher price. Do you mean that the Indian mills should sell at a lower price than that of the imported article and lose?

A. I shall give them sufficient margin for profits, but the profits should not be so high.

3696. *Q.* But does not that depend upon supply and demand?

A. For that reason we want you to supply at reasonably cheap rates and more mills to spring up.

3697. *Q.* If the Indian mills make money would they not start more mills?

A. That is no argument for charging too high a price. The surplus profits may go to increase the number of Indian mills or they may go to many other directions, not necessarily to start industries in India.

3698. *Q.* In answer to Question No. 41, you say "I do not anticipate that the system of Imperial Preference will affect the balance of trade. The increase will generally counterbalance the decrease." Will you please explain what you mean?

A. I have said in another part of the answer that Imperial Preference should always be a policy of give and take. Suppose we are giving preference to England to import goods on advantageous terms, then England should give preference to us in some articles, *e.g.*, our tea should be charged at a lower rate than China tea. If they expect India to give preference to them they should treat us in the same manner.

Witness No. 23.

Mr. BRIJ NARAIN, Professor of Economics, Sanatan Dharm College, Lahore.

Written statement, dated the 23rd November 1921.

3699. *Q.* 1. Protection.

3700. *Q.* 2. A tariff is a more suitable form of taxation for India than direct taxation. The Land Revenue is no longer an Imperial head of revenue, and the yield of the Income Taxes, as compared with the total revenue is small:—

	Taxes on Income. Lakhs of Rs.	Total Indian Revenue. Lakhs of Rs.	Proportion of Income taxes to total revenue.
Accounts, 1919-20 .	2,243	11,740	19·1
Revised Estimates, 1920-21 . .	1,981	11,576	17·1
Budget Estimates, 1921-22 . .	1,858	12,978	14·3

If, in order to meet the growing needs of Government, it was necessary to obtain more money by taxation, it could be more easily done by means of a tariff than by an increase in the rate of the Income Tax. A tariff would not only yield more revenue but, in view of the protectionist sentiments of the people, it would cause less popular discontent than any considerable enhancement of the Income Tax.

3701. *Q.* 3 & 4. Please see answer to Q. 1.

3702. *Q.* 5. The existing tariff policy has had the effect of retarding the development of Indian industries in the past. This is admitted by the Industrial Commission (1916-18). "The direction of Indian industrial development has been thus predetermined by the existence of a large export trade in raw materials, and by the ease with which most classes of manufactured articles could be imported from abroad. Other factors arising to some extent out of this general tendency have helped to restrict Indian industrial progress in the past to an incomplete and limited development along the lines already indicated." (Sec. 76; p. 51.)

It was chiefly due to the unrestricted import of manufactured articles that our industrial advance was so slow in the past. During the war, owing to the diversion of labour and capital in foreign countries from productive to war employments and the shortage of shipping, imports into India declined. The war, in fact, 'protected' Indian industries. As a result, old industries were encouraged and strengthened and many new industries came into existence. The revival of foreign competition in an intense form under the existing tariff policy would have the most injurious effect upon Indian industries, both old and new. The new industries which owe their existence solely to the war will suffer particularly. The adoption of a protective policy is imperatively necessary, not merely to hasten India's industrial development generally, but to prevent the shutting down of newly started works which cannot compete with foreign products on equal terms. The continuance of the present tariff policy will effectively check the progress of many industries.

3703. *Q.* 6. No. As is well known, the excise duty of 3½ per cent. was imposed on the produce of Indian cotton mills not in the interests of our cotton industry but at the instance of Lancashire.

3704. *Q.* 7. Please see answer to Q. 6.

3705. *Q.* 8. The price must tend to rise. Excise duties are a form of indirect taxation.

3706. *Q.* 9. The chief object of tariff reform in India should be to foster Indian industries.

1. The development of Indian manufacturing industries would diminish the numbers now dependent upon agriculture and thus offer some solution of our famine problem.*
2. It will add to India's economic as well as political strength. Our dependence upon foreign countries for the supply of all kinds of manufactured goods is a great source of weakness at all times, and it may become a source of great danger in a time of war.†
3. The chief aim of the economic policy of a country should be the development of productive power. In the case of a country like India, that is vast in extent and rich in natural resources, this aim will be best promoted by national, not international division of labour.

3707. *Q.* 10, 11, 12 & 13. In answering this group of questions it seems desirable to review the progress of Indian industries during the war.

Metallurgical industries. Iron and steel. The Tata Iron and Steel Company produce steel and rails. The new extensions which are being planned, will, it is expected, "revolutionise the engineering industry in the country." The production of high speed steel will render possible the manufacture of machine tools and high grade steel goods of all kinds.

It is proposed to establish a number of manufacturing companies round the steel works at Sakchi for the working up of iron, steel and by-products produced. The following articles will be manufactured: Steel tubes and pipes; tinplate; enamelware; railway waggons; spelter; wire shapes of various kinds, including fencing, wire, nails, etc.; tea machinery; jute mill machinery; electrical machinery and accessories; agricultural tools; galvanised goods; heavy chemicals, fertilisers, explosives, etc.

The Bengal Iron and Steel Company produce ferro-manganese, pipes, bends, columns, fencing sockets, pot sleepers and chains.

About the prospects of the Indian Steel industry Mr. Ainscough, British Trade Commissioner in India and Ceylon, says: "There is no doubt whatever that good steel can be made in India, eminently suitable for rails, fishplates and other railway requirements, and also for the usual engineering purposes." The discovery of a mountain range of iron ore in Singbhum (Orissa) is of great importance in this connection.

As regards other metals, large increases in the production of lead, silver and copper on a commercial scale are expected. The production of Bawdwin mines is sufficient for Indian requirements of lead. The establishment of a zinc smelting industry which is contemplated by the Tata Iron and Steel works will make it possible to produce brass from indigenous materials. It will also render possible the production of galvanised iron sheets.

Tinplate works will be one of the subsidiary industries at Sakchi.

Engineering industries.—"Machines have been made in India during the past few years," says Mr. Ainscough, "the production of which would never have been considered before the war." The following articles, which were imported prior to the war, are now made in India:—

Baling presses, as used in the jute mills; colliery coal tub wheels; large double crank, solid forged crank shafts; milling machines; rough lathes of all sizes; rag and milling machines for cloth; steam hammers; winding engines; drying machines for roping.

Considerable progress has been made in the manufacture of textile machinery, and stores, tea machinery, tools and appliances, mining machinery and plant; brass and gun metal work and stamped steel goods.

As the production of Indian steel increases Indian engineers will be able to compete with imported machines in the simpler forms of engineering. But the manufacture of complex machinery is a more difficult matter, as some of the articles used in the construction of complex machinery, as copper and brass rods, bright machined screws and nuts, washers, cutters, etc., are not at present manufactured in India. For some time to come we shall be dependent on the United Kingdom and America for the supply of complex machinery. This also applies to motor engineering.

Shipbuilding.—Rivercraft and coasting steamers up to 2-3000 tons capacity are made in India, but the construction of steel and composite steamships does not seem to be practicable in India.

Electrical machinery.—Some electrical goods such as switch gears, electrical porcelain, water-tight lanterns, deck fittings, iron-clad plugs and sockets, hand lamps, table lamps, plain glass globes, etc., are manufactured in India. Rubber of very high quality suitable for the production of insulating materials is available in India. But for electrical machinery such as dynamos, motors, etc., we shall continue to be dependent on foreign countries until the material required in their construction, such as cast iron of high permeability, mild steel, thin iron plates, etc., can be made in India.

Enamelware.—An attempt has been made to manufacture enamelled hollow-ware in India which was formerly imported from Austria-Hungary.

Fire Bricks and Silica Bricks are now manufactured in India.

Chemical industries.—Sulphuric, nitric and hydrochloric acids are produced in India. The Indian output of ammonium sulphate is considerable; the production of caustic soda is also increasing. Some slight progress has been made in distilling coal tar.

Vegetable oils.—There is great need of improving the oil-pressing industry. The aim should be to make India an oil and oil exporting country. At the present time we export immense quantities of oil seeds, but comparatively small amounts of oil and oil products.

Essential Oils.—Some progress has been made in the manufacture of Sandalwood oil, thymol, citronella oil, cardamom oil and wormseed oil. The distillation of these and other oils in India should be encouraged.

Disinfectants and antiseptics.—The manufacture of these products is dependent on the production of coal tar on a large scale. They have been made on a small scale in India but in view of the small quantity of coal tar distilled in the country we shall have for some time to rely on imports for the supply of these articles.

The tanning and leather industries.—There has been a remarkable increase in the exports of tanned hides and skins from India during the last five years, as is shown by the following figures:—

Total exports of hides and skins tanned or dressed.

	cwts.	Value £1,000
1913-14 . .	304,621	2,817
1915-16 . .	399,324	3,740
1916-17 . .	489,727	6,304
1917-18 . .	399,321	4,173
1918-19 . .	568,780	6,446
1919-20 . .	577,682	12,548

Production of boots and shoes, as also of other leather manufactures, has increased.

Portland Cement.—Cement of high quality was not produced in India prior to the war, but production in recent years has increased considerably. The industry has a bright future before it. It is significant that Mr. Ainscough advises British makers to "protect their interests by manufacturing in India."

Paints.—There is much scope for the profitable manufacture of paints in India, since the necessary raw materials are largely available here.

Varnishes.—The conditions for the manufacture of varnishes in India are also favourable as linseed oil, turpentine and turpentine substitutes are all obtainable here, and copal could be imported from Singapore. Progress made so far has been very little.

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* "No remedy for the present evils can be complete which does not include the introduction of a diversity of occupations through which the surplus population may be drawn from agricultural pursuits and led to find the means of subsistence in manufactures, or in some such employment." (Indian Famine Commission of 1880.)

† "The list of industries which, though their products are essential in peace and war, are lacking in the country, is lengthy and almost ominous. Until they are brought into existence on an adequate scale, Indian capitalists will, in times of peace, be deprived of a number of profitable enterprises, whilst in the event of a war which renders sea transport impossible, India's all important existing industries will be exposed to the risk of stoppage, her consumers to great hardship, and her armed forces to the gravest possible danger." (Industrial Commission, 1916-18).

Soap.—The demand for soap as well as the home production are both expanding. Mr. Ainscough thinks that British makers, if they wish to retain their hold over the Indian market, would be obliged to erect their own works in the country.

Paper-making.—Some classes of paper, as thin bank paper used for type-writing, soft-sized impression paper for use with duplicating machines, and toilet paper, which were imported before the war, are now made in India. Indian mills have also produced a suitable board for postcards, and the prospects of the production in India of strawboards and machine-made pasteboard are considered to be good. The output of manufactured stationery has also increased. About the future of the paper-making industry Mr. Ainscough says: "With a wealth of fibres to draw upon, and with an adequate local supply of chemicals at a reasonable price, India certainly ought to be in a position not only to produce the whole of her requirements of ordinary paper, but also to become one of the great pulp exporters."

Glass.—The general opinion about the glass industry is that it has come to stay. The chief difficulties in connection with the manufacture of glass in India arise, not from the lack of raw materials, but from the lack of organisation and technical training.

Glue and gelatine.—The raw material for making glue and gelatine exists in large quantities in India and the manufacture of these articles in the country should be encouraged.

The cotton industry.—The proportion of the imports of British cotton goods affected by the home production is indicated by the following figures:—

	Per cent.
Grey (unbleached)	...
Chadars	75
Dhooties, saries and scarves	22
Drills and jeans	100
Long-cloth and shirtings	90
White (bleached)	5
Coloured, printed or dyed checks, spots and stripes	60
Dhooties (including lungees)	30
Drills and jeans	100
Saries and scarves	16

There is not much competition at the present time in cloths of counts above 60's and in fancy goods, but Indian mills have prospered greatly during the war and are financially in a strong position, so that an increase in competition in the future over a widening range of articles may be expected. So far as yarns are concerned, Indian mills have beaten the United Kingdom in competition up to 40's counts, and competition in higher spinnings is becoming keener.

Woollen industry.—The average annual production during the war was very much in excess of production before 1913-14. The competition of Indian mills is being felt more and more by British manufacturers, though imports are still of considerable value.

The brief sketch of Indian industrial development during the war shows that the articles for which India will have to depend on other countries for some time to come are, chiefly, complex machinery, electrical machinery and appliances and the products of motor engineering industries. A start has been made even in these industries, but only time and experience can show how far they can be successfully carried on in India. The last five years have seen the beginning of an industrial rennaisance in India and the future is full of hope and promise. If one had been asked before the war to prepare a list of articles for which India would have to depend on foreign countries, the list would have been an indefinitely long one. It should not, however, be thought that at the present time we are able to produce on a commercial scale most of the articles now imported. In many cases as for example the making of simple machinery and machine tools, manufacture of glassware, hardware, galvanised products, enamelware, coal tar and cement, only a beginning has been made. In other cases operations have yet to begin. But considering the progress made in manufacture, or the facilities which exist for manufacture, India should not be absolutely dependent, as she has been in the past, on foreign countries for the supply of manufactured goods except, for some time to come, for machinery.

There would be no advantage in levying heavy duties on imports of machinery, electrical goods and other articles the production of which cannot be undertaken in India for several years. Protection should be granted to—

(*a*) all industries whose products compete with imported articles including such industries as oil pressing and the distillation of various essential oils,

(*b*) industries which are not carried on at present but raw material for which exists in large quantities in the country as the making of paints, varnishes, glue, gelatine, insulated materials, brushes and buttons.

In selecting new industries for protection it would also be necessary to consider whether other conditions, *e.g.*, those relating to labour, organisation and demand are favourable. A new industry may be protected, to begin with for a limited period, say five or ten years. Protection should be renewed at the end of the period if it is found that the progress made is satisfactory.

3708. *Q.* 14. Protection is generally advocated as a measure of temporary assistance to industries which are unable to compete with foreign imports, but the experience of the leading protectionist countries of the world shows that, once adopted, Protection cannot be easily discarded. I would not, however, deny protection to any industry which needs it on the ground that it is likely to require continuous assistance. The American cotton, steel and other industries have made great progress under Protection, but they are still protected. If an industry that grows up under Protection is later on able to do without it, so much the better for the producers concerned and the consumer. But there is no good reason why the consideration that if some industries are protected, they are likely to require Protection for an indefinitely long time, should weigh more with us than it does with the leading Protectionist countries of the world. The period of protection in India in a general sense would depend not merely on the degree of success attained in manufacture, but upon the tariff policy of other countries.

3709. *Q.* 15. Special protection should be granted against foreign goods favoured by dumping, bounties, subsidies, transport concessions or depreciation of currency. Under the British Safeguarding of Industries Act the United Kingdom levies, in addition to other duties, a customs duty of an amount equal to 33⅓ per cent. of the value of an article offered for sale in the United Kingdom at prices below the cost of production, or at prices which, on account of depreciation in the value in relation to sterling of the currency of the country in which the goods were manufactured, are below the prices at which similar goods can be manufactured in the United Kingdom. It would be necessary to appoint a permanent committee to supervise the working of the Indian tariff, and it would be one of the duties of this committee to ascertain the exact facts relating to dumping, etc. Special protection would be granted to affected industries in the form of additional duties, as imposed by the British Safeguarding of Industries Act.

3710. *Q.* 16. Hand industries and the cotton handloom industry have a recognised place in our economic system as cottage industries. Cottage industries should be encouraged as they are an important source of livelihood for millions of our people in the villages. But I would not sacrifice industries which use machine power for the sake of *charkha*. Nothing can be done to protect the cotton handloom industry against the competition of Bombay mills. Gandhi's movement has revived hand spinning, and the hand weavers did well during the war. But as mill production increases the hand weavers will find it more and more difficult to hold their own against mill competition. There is, however, considerable demand for their products as they produce designs which suit local tastes, and there is no reason to fear that they will disappear soon. But whether they disappear or not, the interests of our large manufacturing industries cannot be sacrificed for their sake.

3711. *Q.* 17. As in the United States of America and Germany, Protection may encourage the formation of combinations behind the tariff wall. A combination

is not an evil but a monopoly is. It is generally recognised that no amount of legislation can be effective in suppressing combinations. The regulation of output, the control of price, the confiscation of profits above a fixed maximum limit, are the remedies suggested to deal with combinations when they adopt policies inimical to public interests. But more effective than any of these is, perhaps, publicity. Public opinion is a powerful weapon in dealing with combinations, and as Liefmann says, " very often the criticism of a kartel in public, interpellations about it in Parliament and similar action will suffice to prevent it from making an immoderate use of its monopolistic power." (Kartells and Trusts, 1920, page 260.)

In addition to publicity, the precise measures to be adopted in dealing with combinations will depend upon the form which they take in India.

3712. *Q.* 18. Even without a tariff British firms are erecting or have decided to erect branch works in India. The industries chiefly affected by this movement are iron and steel, aluminium, copper, cotton textile machinery, tea machinery, motor engineering, steel pipes and tubes, electrical machinery and appliances, cement and paper. A great amount of British capital is already invested in Indian woollen, leather, jute and other industries, and tea and other plantations. Protection will encourage British firms to establish themselves in India in order to get the benefit of the tariff. From an extremely parochial point of view objection may be taken to the investment of foreign capital in India, but it cannot be denied that it will give employment to labour, and so far as it enlarges the sphere of internal competition, it must tend to lower prices.

3713. *Q.* 19. Such conflicts of interest are likely to arise in India though not in a very intense form. They arise in every country that adopt Protection. In New Zealand and Australia the farmers want cheap manufactures and the manufacturers want cheap food. Both are protected. As regards the particular case mentioned, that of yarns for weavers, it may be suggested that imports of cloth may be taxed at a higher rate than those of yarn. The duty levied by the United States in 1920 on woollen yarns was 18 per cent. *ad valorem*, and on woollen cloths 35 per cent.; on silk yarn 35 per cent. and on silk manufactures from 40 to 50 per cent. Similarly the duty levied by the Commonwealth of Australia in 1920 on certain woollen yarns was 20 per cent. (general tariff) while that on woollen piece-goods was 45 per cent.

3714. *Q.* 20. An import duty is paid by the foreign producer when the country imposing the duty is the sole market for the goods taxed, and secondly, when demand is so very sensitive that even a small rise in price will be followed by a great reduction in the amount sold. The cases, however, in which a country has a monopoly of consumption are rare and though usually a rise in price diminishes consumption, the burden of import duties is ordinarily shared between the home consumer and the foreign producer.

3715. *Q.* 21. It cannot be denied that Protection raises prices to the consumer. Whether a rise in price caused by an import duty will be permanent or not depends upon the nature and amount of the home production. Where the home market is large and conditions for the development of the home industry are favourable, the growth of internal competition may lower prices. The case of the American tinplate industry may be quoted as an example.

3716. *Q.* 22. Yes. Those classes of Indian consumers who will be chiefly affected by the rise of prices will not object to paying higher prices for the sake of developing Indian industries. The growth of the sentiment in favour of *Swadeshi* and the burning of foreign cloth are a proof of this. A very strong feeling exists in the country in favour of encouraging home industries. And even if all people are not prepared to practise *Swadeshi* to the extent of burning foreign cloth, a very large majority of them would prefer to buy home-made goods. No better proof of the readiness of the people to make sacrifices required of them in order to develop home manufactures can be given than the rapid growth of the *Swadeshi* movement. A tariff, so far from being objected to, will be welcomed as an ally of *Swadeshi*.

The poorest classes of the Indian population would not be much affected by a tariff. The major portion of the income of a poor man in India is spent on food (60 to 70 per cent.). As regards clothing and foot-wear, his consumption of the finer qualities of imported cloth, and boots and shoes is so small as to be negligible. The upper and the middle classes will be injured by the tariff, but of their willingness to restrict their use of imported articles there is abundant proof.

3717. *Q.* 23. Our imports consist chiefly of manufactured goods, articles of luxury and convenience. There is not a single article in the whole list of imported goods, with the exception of thread and needles and dyes and colours which I would class as a necessary to the masses of India.

3718. *Q.* 24. Wages as a rule rise more slowly than prices. Between 1914 and 1919 industrial wages in India rose on an average 21½ per cent. as compared with the approximately 100 per cent. rise in general prices. As regard the agricultural wage earner, while there is a tendency to substitute cash wages for wages in kind, which is encouraged by the rise in the prices of food stuffs, money wages have shown no tendency to rise in the same proportion as the rise in prices. This is not surprising in view of the fact that there are no combinations of agricultural labour and of the general ignorance of this class of our population. But, as has been already said, the rise in the prices of foodstuffs is a matter of far greater importance to the Indian worker than the rise in the prices of imported goods. Those sections of the middle classes whose incomes are fixed and expenditures variable will be injured by the tariff, for it cannot be expected that the rise in prices will be wholly covered by the rise in income.

3719. *Q.* 25. Protection combined with the *Swadeshi* movement and an earnest attempt on the part of Government to foster Indian Industries would restrict imports of manufactured goods into India and increase exports of manufactured goods from India. The exports of manufactured goods have steadily increased during the last ten years, as is shown by the following figures:

Exports from India of articles wholly or mainly manufactured.

	Value in £1,000.	Percentage of Total exports.
1910-11 . .	33,743	24·6
1911-12 . .	33,002	22·3
1912-13 . .	38,221	23·8
1913-14 . .	36,394	22·4
1914-15 . .	31,055	26·3
1915-16 . .	42,160	32·8
1916-17 . .	51,335	32·5
1917-18 . .	48,446	32·2
1918-19 . .	58,331	36·6
1919-20 . .	103,245	33·4

As our manufacturing power increases I hope to see a further expansion of our exports of articles wholly or mainly manufactured. A curtailment of imports is desirable as it will reduce the difference between the value of our imports from and exports to the United Kingdom, and thus improve our financial position. The effect of Protection on the general commercial position and prospects of the country has been indicated above (Q. 9).

3720. *Q.* 26. Our exports principally consist of raw materials and food stuffs. They are generally admitted by foreign countries either free of duty or on the payment of light duties. A tariff would be of very little use to us for bargaining purposes in the sense that we could not by means of it secure better terms for our exports than they at present enjoy. However, if we adopt a protective tariff, foreign countries may retaliate (the question of retaliation is discussed below) and in such a case, the existence of a tariff which could be used for bargaining purposes would be advantageous to India.

3721. *Q.* 27. Yes.

3722. *Q.* 28. Yes.

3723. *Q.* 29. As has been said above, it would be necessary to appoint a permanent committee to supervise the working of the tariff.

3724. *Q.* 30 to 34. I am generally opposed to export duties as their effect is to restrict exports. An export duty is paid by the foreign consumer when the exporting country has a monopoly of production, and the foreign demand is inelastic. But cases of complete monopoly are very few and it is very often possible to find a

substitute for an article whose export is restricted by a tax. Even the foreign demand for our jute cannot be said to be absolutely inelastic—this is shown by the growth in the use of substitutes for jute in Germany during the last five or six years.* There is however little harm in imposing export duties on selected articles for revenue purposes. With the exception of an export duty on wheat, I cannot recommend the use of export duties for any purpose beyond this. India is a debtor country, and it is necessary, if she is to remain a solvent country, to preserve an excess of exports over imports at least equal to the amount of the Home charges. I would not therefore take active steps to discourage any exports from India (except the export of wheat) not even to provide for our manufacturing industries cheaper raw material.

Japan, the United States of America, France, Italy, Belgium, Germany and Austria-Hungary (before the war) are important purchasers of our raw produce but with the exception of jute manufactures, they take very little of our manufactured goods. Only in the case of jute, manufactured exports are of greater value than those of the raw product. Only in the case of raw jute a duty on exports can be imposed with advantage if foreign countries impose heavy duties on jute manufactures. The general principle as regards taxes on exports of raw produce may be enunciated that in view of our debtor position it would not be advantageous to tax exports of a raw product unless exports of the manufactured article are of greater value than those of the raw product.

India enjoys a monopoly of jute and, unless foreign countries are able to replace jute by some other material, a great part of the incidence of the export duty will be on the foreign buyer.

The case for an export duty on wheat.

Effect of exports on the price of wheat.—Indian wheat does not compete with wheat grown in Russia, United States, Argentina and other great wheat exporting countries as it is of inferior quality. It is required in foreign countries only to supplement deficiencies. "Apart therefore, from internal conditions affecting the supply" says the official Report of the Inquiry into the Rise of Prices (1910), "exports are subject to violent fluctuations arising out of variations in the supply in other countries. In one year the demand will be very large and, even if the Indian harvest is abundant, prices will rise; in the following year the foreign demand may be largely reduced owing to abundant supplies from Russia, the United States and other exporting countries, and even if the harvest in India be deficient, prices might fall. The European demand, therefore, exercises a very important influence on the price of Indian wheat." This may be shown by a few examples. In 1891 the wheat harvest in India was exceptionally good, but to meet a strong demand from Europe in consequence of the failure of the crops in America and Russia, more than 18 per cent. of its total produce was exported, and prices in India rose. In 1892, in spite of a poor harvest, prices did not rise, thanks to the decline in the European demand. In 1895 the Indian crops were below the normal and out of the restricted supply a large quantity was exported to foreign countries, and prices rose in India. In 1900 prices were high on account of famine, but in the following year prices fell owing to a decline in the European demand From 1904 to 1907 the production of Indian wheat was above normal, but prices continued to rise in sympathy with the rise in European markets.

Of the rise in prices in 1910 and the following two or three years the same explanation is given. To quote from the Report again: "The price of wheat in India has, with some occasional falls, been rising in recent years notwithstanding an increase in the supply available for internal consumption. This is explained by the rise in world markets."

It is important to remember that while the percentage of exports to the total production in the case of rice and food grains in general is small, in the case of wheat it is high 15 to 20 per cent. (in 1904 23·5).

"The European market which improved communications by land and sea have opened to the Indian farmer" says Mr. Keating, "is one of his greatest economic assets since it enables him to sell his raw produce at high prices and to buy his manufactures cheaply. India can no longer stand apart in backward isolation. Prices here must approximate to those of other countries." That is true enough. The prices of goods which enter into international trade tend to be the same in the world's markets. But the trouble of the Indian labourer is that while he has to pay approximately the same price for his food as the labourer in European countries, his wages are much less. The English labourer, for example, earns about four or five times as much as the Indian. Allowing for the fact that the price of wheat in India is somewhat lower than the English price, it is incontestable that the Indian worker spends a much greater proportion of his earnings on food than the English labourer.

Is the wheat exported a surplus? The wheat exported from India is described as a surplus. But it is not a surplus in the sense that consumers in India do not want it. In good years India produces, on an average, about ten million tons of wheat; allowing for an export varying between 1½ to 2½ million tons, we have 8,500,000 to 7,500,000 tons left for internal use including say, 1,000,000 tons for seed for the next year's crop. It is estimated that one ton of wheat, making all necessary allowances, will feed on the average, five persons for a year. Thus 6,500,000 to 7,500,000 tons will feed a population of less than 40,000,000 in a year. But the wheat eating population of India is estimated to be more than 100,000,000 persons. The wheat exported, therefore, is not a surplus in the sense that there is no demand for it in India. Poor people, however, finding that the price of wheat is high and that they cannot afford to buy it, substitute coarser grains for it in their consumption. The higher the price of wheat, the greater is the inability of poor people to buy it, and the greater is the amount of the surplus. That the wheat exported is not a surplus in the real sense, that is a surplus over and above the requirements of the people, is shown by the fact that the amount of the surplus varies from year to year according to the varying demand of European countries, and that it is not determined by the relation of production to consumption in India.

The problem of controlling the price of wheat and the coarser grains in India is really the problem of regulating the amount of this "surplus." Apart from increase in production there is, to my mind, only one solution of our wheat problem: the imposition as a permanent measure of an export duty on all wheat exported from India, whether in good or bad years. The duty need not be fixed in amount; it may vary in accordance with a sliding scale, rising or falling according to the movements of wheat prices in India and in foreign countries. The object should always be to discourage the Indian farmer from selling his wheat in the foreign market.

Arguments against an export duty on food grains.—The question of an export duty on food grains generally was considered by the Prices Inquiry Committee of 1910. Of the five arguments against an export duty

* The attempts made in Germany during the war to find a satisfactory substitute for jute are described in a publication of the "Institute fur Weltwirtschaft and Seeverkehr" at Kiel, entitled "Zur Frage der Rohstoffversorgung der deutschen Jute Industrie" by Magdalene Williams, Dr. Sc. Pol. (1920). In the pre-war year 1913-14 Germany imported from India raw jute of the value of £4,499,111 and jute manufactures of the value of £201,559. These imports ceased after the outbreak of the war. The consequent rise in the price of jute caused some industries to dispense with jute altogether—cotton, corn and some other products were transported without any jute covering. But this was not possible in all cases and German industrialists and scientists busied themselves in finding suitable "Ersatzstoffe" or substitutes for jute. Paper and the textile materials, flax and hemp were used for making sacks to replace jute sacks. The prices of sacks made from flax and hemp are high and they can be used only in the transportation of valuable products as flour, sugar and food stuffs. The paper sacks are cheap and we are told that "in consequence of its cheapness paper is destined to be largely used" for this purpose, particularly in the cement industry. But the disadvantage of the paper sack is that it can be used only once which, however, saves the worry and the cost of returning the empty sacks. The most important substitute for jute is a kind of textile yarn called "Textilosegarne" manufactured from paper and cotton or jute cuttings. The manufacture of this yarn has increased rapidly in Germany so that at the present time the production is already one-fifth of the German jute manufacture in the pre-war year 1913. Sacks made from this material are inferior to jute sacks in resisting dampness, but in other respects, particularly durability, they are about equal in value to jute sacks, if they do not actually surpass them. To judge of their quality certain experiments were tried. "Sacks filled with cement or with artificial manure were made to fall from a vertical position on a cemented floor from a height of two metres. The results were as follows:—

Out of six jute sacks filled with cement 1 sack burst after being thrown down ten times, 2 sacks after being thrown down two times.

Out of six textilose sacks 1 sack after being thrown down eight times, 2 sacks after being thrown down three times. (Page 57 Footnote).

given below, the first four are those advanced by the Prices Committee, and the fifth by Mr. W. H. Moreland.

1. "The export trade clearly encourages production and creates the reserve which is drawn upon in times of scarcity. The reserve actually tends to prevent prices rising to the extent that they would otherwise do."

2. "The effect of foreign trade generally is to steady prices in India of the commodities entering into international commerce, preventing them from falling to a level lower than that at which the commodities can be profitably exported, or from rising to a level higher than that at which they can be profitably imported. The variations in prices are, thus, greatest in those commodities which are not affected by European trade, *e.g.*, jowar, bajra, ragi, etc."

3. If prices fell, "it would no longer be profitable to cultivate the inferior lands which would then soon go out of cultivation and there would be a permanent decrease in the produce of food grains in India, and in consequence a rise in prices."

4. "If a prohibitive export duty were to be levied in good years, the stocks of grain would accumulate and grain prices would fall. The cultivators who form about two-thirds of the population of India would be poorer by the difference between the price that would prevail after the imposition of the prohibitive export duty and that which they would have otherwise obtained."

5. "A decrease in exports caused by an export duty," according to Mr. Moreland, "might so far affect the balance of trade as to threaten the security of the gold standard of currency, now the corner-stone of India's financial policy."

1. It must be admitted that, chiefly owing to the export trade, the production of wheat in India has increased. In this sense the export trade may be said to have created a reserve which can be drawn upon in times of scarcity. But chiefly owing to the export trade again, in spite of the increase in the area under cultivation and in the production of wheat, the price of wheat in years of good rainfall is now generally higher than it was formerly in famine years and in years of scarcity it rises still further. For example, the annual average price of wheat in the Punjab and N.-W. F. Province from 1861 to 1870 was never less than 12 seers for a rupee, except in one year, 1869, when it was 11·99 seers; between 1871 and 1880 the average was never less than 13 seers, except in 1879 when it fell to 12·92 seers; between 1881 and 1890 it was less than 15 seers only in 1887 when it was 14·69 seers; between 1891 and 1900 it fell to 10·42 seers in 1900, but it was higher in other years. The average which was fairly high from 1900 to 1915 fell in the latter year to 8·8 seers per rupee, and declined further to 7·9 seers in 1918 and 6·5 seers in 1919. At the present time the price is less than 4 seers per rupee. How is it that in spite of the reserve which the export trade has undoubtedly created the price of wheat in recent years has been much higher than it ever was? It is not because the internal demand for food has increased more rapidly than the supply. If the "reserve" did not exist production would be less than at present, but it is equally true that if there was no export prices would be lower.

2. It may be admitted that the fluctuations in the prices of inferior food grains which are not largely exported are greater than those in the price of wheat. But we should not forget that the effect of the European demand for wheat has been a steady and continuous rise in its price. It may be doubted whether a steadily rising price is a lesser evil than a fluctuating price which, however, yields a lower average. Again it should be recognised that the European demand for wheat indirectly affects the prices of the inferior food grains. "Through the wide-spread operations of this (export) trade," says Mr. Moreland, "the price of wheat all over India has gradually been brought into relation with the rates prevailing in the European markets; and since wheat is interchangeable in consumption with most of the other food grains...maize, barley, and the various millets and pulses...produced and consumed in India, the export price of wheat is a governing factor in the prices of food grains throughout the country, so long as as there is a surplus at all."

3. It is certain that if a prohibitive export duty were imposed on wheat prices would fall, and it is probable that some inferior lands would go out of cultivation. But it is not necessary that there should be, in consequence, a great shrinkage of supply followed by a rise in price. Suppose the yield of these inferior lands is small as compared with that of lands of superior productivity, or in other words that the amount of the marginal production is small. In such a case the decrease in the total production of wheat would be small and prices may not rise, particularly if, at the same time, an attempt is made, by improvement in the methods of cultivation and increased investment of capital in productive works, to increase the yield of the best and most fertile lands.

4. The fall in prices, it is said, would injure the cultivators "who form about two-thirds of the population of India." This argument is important. India is an agricultural country; if the fall in the prices of food grains would injure a large majority of the population, those who argue against an export duty on food grains, it must be admitted, have some sort of a case.

But, as a matter of fact, cultivators do not form two-thirds of the population of India, and those who are benefited by a rise in the prices of food grains are not a majority, but in all probability, a minority of the population. According to the census of 1911, out of a population of 313,470,000, the number of those engaged in "Ordinary cultivation" was 216,787,000, or 69 per cent. The sub-classes under this head were as follows:—

		Per cent.
(1) Income from rent of agricultural land .	7,743,000	2·5
(2) Ordinary cultivators .	167,015,000	53·2
(3) Agents, managers of landed estates (not planters), clerks, rent collectors, etc. . .	781,000	·2
(4) Farm servants and field labourers . . .	41,246,000	13·1

We thus learn that all those who are described as engaged in "ordinary cultivation" are not "ordinary cultivators." The rise in prices does not benefit the rent receivers, unless they can enhance their rents faster, and to a greater extent than the rise in prices. Among the classes which have been adversely affected by the rise of prices are included "the great Zamindars and other landlords of Bengal and other parts of India who can enhance their tenants' rents only at considerable intervals, and who, therefore, cannot adjust their rents to meet the change in prices." Nor are agents, managers of landed estates, clerks and rent collectors benefited by the rise of prices unless their wages increase more rapidly than prices. As regards farm servants and field labourers, their real wages must fall if their money wages lag behind prices.

We thus reach the conclusion that the rise in the price of food grains can conceivably benefit, directly, 53·2 per cent. of the population. But India being a land of small farmers, it is probable that the percentage of the cultivators who actually gain by the rise of prices to the total population is not 53·2 but much less. It is not improbable that the farmers who have been enriched by the rise of prices are a small minority of the population.

About four years ago I made some inquiries as to the effects of the rise in the price of food on the different classes of the population. I found that while large farmers had profited greatly by the rise of prices, small farmers had gained little or nothing and agricultural labourers, except when their wages were paid in kind, were worse off than before. The conclusions of the Babington Smith Committee on this subject do not differ materially from the views which I expressed four years ago.*

5. The following table shows the value of the total exports of Indian merchandise, of the exports of grain, pulse and flour, and of wheat from 1909-10 to 1913-14.

* "Of 167 million cultivators of their own or rented land those who have a surplus for sale would ordinarily benefit by a rise in the price of the commodities they produce. Moreover, if, as is often the case, the cultivator has received advances for his maintenance and for seed, repayable in grain after the harvest, an increase in the value of the grain repaid benefits the money-lender and not the cultivator. On the other hand, the agriculturist who has little surplus produce to sell and lives on what he produces, would, in so far as he maintains himself on his own produce, be unaffected by a rise in the price of food stuffs. The numerous class of farm servants and field labourers, estimated in the census of 1911 at over 41 millions, would ordinarily stand to lose by a rise in prices except in so far as their wages are payable in kind and not in money." (Sec. 47.)

Pre-war years have been taken as our exports and imports during the war were not normal.

	1909-10.	1910-11.	1911-12.	1912-13.	1913-14.
	£1,000	£1,000	£1,000	£1,000	£1,000
1. Indian merchandise. .	122,997	137,080	147,879	160,899	162,800
2. Grain, pulse and flour .	22,835	25,716	34,306	40,201	30,099
3. Wheat . .	8,472	8,638	8,898	11,795	8,755
Percentage of 3 to 1 . .	7·0	6·3	6·0	7·9	5·4

The table shows that our exports of grain, pulse and flour form a considerable proportion of the total exports of Indian merchandise to foreign countries. If the exports of food grains ceased altogether, it is probable that the balance of trade would be affected. But the exports of wheat as compared with the total exports are small—on an average 6·5 per cent.—and a decrease in the exports of this cereal would not turn the balance of trade against India.

Suggested remedies.—It is sometimes said that the true solution of the problem lies, not in lowering the price of food but in raising the level of incomes. But our recent experience has shown that raising the level of incomes is not so very easy as some people think. Industrial wages have risen during the last four or five years, but by what a slow and painful process every one knows. There have been strikes and lock-outs, and in some parts of the country even rioting and bloodshed. We have also to remember that while trade unions have done a good deal to ameliorate the conditions under which the town labourer lives and works, the movement is yet in its infancy, and that our agricultural labour is not organised at all, and has very little chance of becoming organised in the near future, since it is spread over the broad face of the land and is not concentrated in small areas like factory labour. In view of these incontestable facts, and of our experience in the past, it may be concluded that it is not possible for the level of incomes in India to rise to a point where the high price of food will become a matter of indifference to the consumer. It seems to me that a fallacy underlies the reasoning of those who think that a rise in incomes is an infallible remedy against high prices. More money in the pockets of the people does not mean more prosperity. Real prosperity may, in fact, increase when there is less money to spend but when a greater quantity of goods can be purchased with it.

Deflation has been suggested as a remedy against high prices. Our currency, like the currencies of most European countries, is inflated, and if the volume of the currency could be somehow reduced, general prices would fall. But it cannot be said with any degree of confidence that deflation would lower the price of wheat. It may be admitted that important changes in the amount of the circulation cause general movement of prices, but it should be recognised that prices of particular goods are all the time subject to special influences connected with their supply and demand. This is particularly true with regard to commodities which are exported and imported. For example, the effect of deflation on the price of wheat in India may be more than counteracted by a rise in the price of wheat in countries outside India, causing a considerable proportion of our wheat supply to be exported. The price of wheat in India in these circumstances would not fall; it may even rise, in spite of deflation, in sympathy with European prices. To lower the price of goods which largely enter into foreign trade you must either bring about a fall in the prices of foreign countries, which is beyond your power, or sever the link of connection between your price level and the foreign price level by restricting exports.

Is increased production a remedy against the high price of wheat? My answer is 'Yes,' provided that increase in production is not accompanied by an increase in exports. If increased production is for the benefit of the foreign market, that is, as production increases, the export trade expands, the home consumer will gain little by it. This point is important. During the last forty years the area under wheat as well as the yield of wheat in India has considerably increased. As compared with 1891-92 there was in 1916-17 an increase of 24 per cent. in the area under wheat in the whole of India and 56 per cent. in the area under wheat in the Punjab. There is ample evidence of increase in the production of wheat, and yet, in spite of increased production, the price of wheat in years of good rainfall during the last four or five years has been higher than it ever was in the severest famine which the oldest man in the Punjab can remember. Since the growth of food supply in India has not been incommensurate with the growth of population, the rise in food prices must be due to the growth of the external demand. It may further be pointed out that the political and economic condition of the wheat producing countries of Europe is still disturbed, and that it is certain that the European price of wheat will continue to be high for years to come. In these circumstances unless we break the link which connects the Indian price of wheat with the European price, we must be prepared, high as the present price is, for a further rise in price—in fact no limit can be fixed for the rise in the immediate future. This is not a state of things which one can contemplate with equanimity. One trembles to think what might happen in the Punjab if the price of wheat rose to 20 or 25 rupees per maund. We still remember that economic unrest was one of the most important causes of the Punjab disturbances of two years ago. There are no exports of wheat at the present time, but if exports are not restricted in the future, the price of wheat will rise to heights never yet reached in India, and Government must be prepared for political unrest and rioting of a far more serious character than it had to deal with in 1919.

3724(*a*) *Why Imperial Preference is advocated.*—The chief object of Imperial Preference is to stimulate demand for British goods in India. Fifty years ago the United Kingdom enjoyed practically a monopoly of the Indian import trade, but in recent years, owing to the growth of foreign competition, she is finding it difficult to retain her hold on the Indian market in some branches of the trade. The decline in the demand for British goods in India and other countries is shown in the attached statistics. Before the war Germany was Great Britain's most formidable commercial rival in India. The war eliminated Germany, but England has still to reckon with Japan and the United States. There has been a very considerable increase in the imports from those countries during the last six years; the possibility of revival of German competition, aided by a depreciated currency cannot also be overlooked. The duty of India, in these circumstances, is clear—she must, says the Imperialist, help forward the development of British industries. The Imperialist would devise "methods whereby the vast stream of India's exports can be utilised to forward Imperial interests." * He does not object to India developing her manufacturing power to the utmost, but in carrying out such a policy he asks us not to forget that "the interests of Great Britain are paramount." † The Imperialist would encourage the export of raw materials to Great Britain by imposing preferential duties on our exports (the export duty on hides and skins is an example), and he would certainly do nothing to check British imports into India. But the first proposition that we can lay down in connection with Indian tariff reform is that tariff changes should be considered primarily with regard to their effect on production and consumption in India. The interests of India are paramount. We have our own industries to develop. From the point of view of the Indian consumer there is little to choose between a protective and a preferential tariff, for preference will raise prices as surely as Protection. But while a protective tariff might conceivably assist Indian industries, preference would raise prices to the consumer without conferring any large benefits on the Indian producer. Imperial Preference may be defined as protection for the British manufacturer at the expense of the Indian consumer.

British competition.—The present writer is definitely of opinion that Protection will encourage the development of Indian industries, and that the reform of the Indian tariff should be undertaken with that object in view. But it should be distinctly understood that a

* "India and the Empire" by M. deP. Webb. (1908), p. 89.
† *Ibid.*, page 159.

protective tariff will help our manufacturers if it protects them against foreign as well as British competition. As a matter of fact our industrialists want protection against England more than against Japan or the United States or Germany, and from their point of view the distinction made by the advocates of a preferential tariff between foreign and British competition has no meaning. In the case of the cotton industry the real competition is between Indian mills and Lancashire, and a tariff would be of little use if it checked the imports of Japanese hosiery, but had no effect on £46 million worth of cotton piece-goods imported from the United Kingdom. As regards imports in general, our principal imports come from the United Kingdom though in some branches of trade Japan and the United States occupy a predominant position in our markets. Out of 71 articles given in the table on page 155, in the case of no less than 56 British imports are 40 per cent. or more than 40 per cent. of the total imports. Even as regards the remaining 15, excepting matches, cotton hosiery, and buttons British competition cannot be ignored. It therefore follows that if India is to have a protective tariff, and if Protection is really to protect Indian industries, means will have to be devised to restrict British as other imports.

The question of retaliation.—The question of a preferential tariff was considered by Lord Curzon's Government in 1903. One of the grounds of Government's unfavourable decision was that it would provoke retaliation. The articles of which India has a complete monopoly are small in number and, as the Government of India stated in their letter to the Secretary of State (dated 22nd October 1903), the greater portion of our exports "compete successfully in foreign markets by reason of their cheapness rather than of their quality or kind." The articles of which India enjoys a practical or an absolute monopoly are opium, indigo, myrabolams, mohwa, jute, jute manufactures, teak wood, lac and til The value of these exports in 1913-14 was 28·4 per cent. of the total value of exports (19·2 per cent. n 1919-20). The articles in respect of which we enjoy a modified monopoly are rice, hides and skins, oil seeds (excepting til and mohwa) drugs and spices, and the exports of these articles formed 25·1 per cent. of our total exports in 1913 14. (29·1 per cent. in 1919-20). It thus appears that in regard to about 47·5 per cent. (51·7.....1920) of our exports we possess no monopoly of any kind, and if jute manufactures are excluded from the list of monopolised articles, the proportion of our exports in respect of which we enjoy no monopoly rises to 58 per cent. of the total exports (67·8 per cent. 1920) Lord Curzon's Government had thus very good reasons for thinking that foreign nations possess some power of retaliation.

The danger of retaliation is not avoided by adopting a protective instead of a preferential tariff, but there is this much to be said for Protection that it will not actively discourage exports to countries outside the British Empire which is one of the chief objects of preference, and that for the risk that we shall be taking it will enlarge the scope for the development of our industries. A preferential tariff will be of very little advantage to our producers as it will not protect them against British competition; it is certain to inflict loss upon our exporters as it will prevent them from selling their produce in the best market, and it is certain to injure the consumer by checking the imports of Japanese, American and German goods.

The balance of trade.—Our exports to foreign countries are of a much greater value than imports from foreign countries. In 1919-20 the excess of exports over imports amounted to no less than £90,241,000. Before the war our trade with the British Empire always gave us an adverse balance. During the war exports to the British Empire increased, but this increase is not such as to encourage the idea that a great part of our export trade can be diverted from foreign countries to countries within the Empire. In view of our debtor position we cannot afford to neglect the great foreign market for our exports. If the full programme of Imperial Preference were adopted, with preferential imports as well as export duties, while imports from the British Empire would increase, exports to foreign countries would decline, and the balance of trade would turn against us.

Statistics showing the share of Great Britain, Germany and the United States of America in the world's trade. Extracts from "Der Kampf um den Weltmarkt" published by the "Institut fur Welt-Wirtschaft und Seeverkehr" at Kiel.

	PERCENTAGES.					
	IMPORTS.			EXPORTS.		
	Percentage share of			*Percentage share of*		
	Germany.	Great Britain	United States of America.	Germany	Great Britain.	United States of America.
Russia—						
1886-90 . . .	29·4	23·8	9·3	24·8	32·9	0·1
1913 . . .	47·4	12·8	5·8	29·8	17·6	0·9
Denmark—						
1876-80 . . .	37·5	23·7	4·5	32·2	40·2	0·2
1913 . . .	38·4	15·8	10·2	24·9	62·5	0·6
Sweden—						
1871-75 . . .	22·9	32·9	2·3	7·1	53·3	2·5
1913 . . .	34·2	24·4	9·1	21·9	29·1	4·2
Norway—						
1876-80 . . .	27·6	26·9	1·9	16·3	31·7	0·2
1913	29·8	24·8	6·6	20·8	24·3	8·0
Netherlands— . .						
1881-85 . . .	29·3	26·2	5·5	46·5	22·4	3·2
1913	30·2	8·7	11·3	46·1	22·2	3·9
Belgium—						
1876-80 . . .	14·7	14·7	12·1	20·6	20·2	1·5
1913	15·5	10·5	8·5	26·0	15·1	2·9
Spain—						
1897-1900 . . .	6·5	21·5	11·4	2·6	29·1	1·4
1913	13·1	17·3	11·1	6·2	19·3	6·0
Portugal—						
1886-90 . . .	13	32	12	8	32	3
1911	18	29	9	10	20	3
Switzerland—						
1892-95 . . .	28·5	5·2	4·5	25·2	18·7	12·3
1913	32·9	5·9	6·1	22·2	17·2	9·9
Italy—						
1878-80 . . .	4·9	21·2	5·7	3·8	8·4	4·7
1913	16·8	16·3	14·4	13·7	10·4	10·7
Austria-Hungary—						
1891-95 . . .	36·6	10·3	4·4	53·4	7·8	1·7
1913	40·1	6·4	9·5	43·9	9·7	2·5
Balkan—						
1886-90 . . .	18·1	24·5	...	2·9	40·5	...
1912	29·2	14·9	...	9·7	8·2	...
South-America—						
1901-05 . . .	16	31	13	15	19	17
1913	19	28	16	14	24	18
Middle-America—						
1901-05 . . .	10	15	49	7	10	73
1913	10	12	54	8	12	70

	Imports.					Exports.				
	Germany.	Great Britian.	United States of America.	France.	Japan.	Germany.	Great Britain.	United States of America.	France.	Japan.
British India—										
1871-72—1875-76 . .	0·1	77·9	0·3	1·2	0·0	0·1	49 6	3·5	6·4	0·0
1876-77—1880-81 . .	0·1	76·4	0·7	1·2	0·1	0·4	43·1	3·4	7·8	0·1
1881-82—1885-86 . .	0·2	74·5	1·4	1·1	0·1	0·7	41·3	3·7	9·0	0·3
1886-87—1890-91 . .	0·7	73·8	2·3	1·3	0·1	2·2	37·1	3·8	8·0	0·9
1891-92—1895-96 . .	2·1	70·6	1·8	1·4	0·3	6·1	33·4	4·1	8·5	1·5
1896-97—1900-01 . .	3·0	67·7	1·9	1·4	0·8	7·7	30·2	6·0	6·3	4·3
1901-02—1905-06 . .	3·6	65·6	1·7	1·8	1·2	9·0	26·1	6·9	6·6	5·8
1906-07—1910-11 . .	5·9	63·9	2·7	1·5	2·0	10·6	25·7	8·0	6·6	5·6
1911-12 . . .	6·5	62·4	3·8	1·5	2·5	10·2	26·0	7·0	6·2	7·5
1912-13 . . .	6·3	63·0	3·2	1·4	2·5	10·3	25·1	7·8	6·5	7·8
1913-14 . . .	6·9	64·2	2·6	1·5	2·6	10·8	23·5	8·9	7·2	9·3
*1914-15 . . .	..	64·1	3·2	1·2	3·1	..	31·5	9·8	4·9	8·8
*1915-16 . . .	..	56·7	5·7	1·4	5·4	..	37·9	10·9	4·9	9·5
*1916-17 . . .	..	54·8	6·9	1·3	8·3	..	33·4	13·1	6·0	11·8
*1917-18 . . .	..	49·8	7·2	0·9	11·1	..	25·8	13·0	3·7	14·6
*1918-19 . . .	..	40·8	8·6	0·9	17·8	..	29·3	13·8	3·7	12·2

* In calculating these percentages import of merchandise (excluding treasure) and exports of Indian merchandise only were considered.

Table showing the percentage of British imports to total imports in 1920-21.

Apparel	54	Paints, etc.	82
Belting for machinery	88	Paper and pasteboard	41
Boots and shoes	41	Perfumery	55
Brushes and brooms	47	Pitch, tar, etc.	94
Cement	87	Polishes	86
Buttons	9	Printing presses	53
Candles of all kinds	62	„ type	86
Carriages and carts	67	„ ink	81
Chemicals	77	Prints, engravings, etc.	69
Clocks and watches	28	Provisions	72
Cordage	85	Railway plant, etc.	90
Cork manufactures	71	Rubber manufactures	55
Cutlery	32	Ships, parts of	94
Cycles and accessories	86	Smokers' requisites	14
Drugs and medicines	54	Soap	92
Dyeing and tanning substances	40	Stationery, excluding paper	61
Earthenware and porcelain	39	Stocks, whips, etc.	60
Electroplated ware	94	Tea chests	49
Furniture and cabinet ware	49	Telegraphs, materials for	62
Glass and glassware	18	Telephones	64
Gums and resins	61	Cotton goods including twist and yarn	87
Hardware	49	Cotton hosiery	7
Instruments	53	Flax manufactures including twist and yarn	80
Ivory manufactures	57	Haberdashery, etc.	47
Jewellery	77	Hemp manufactures	35
Leather manufactures	75	Silk manufactures including twist and yarn	17
Machinery	66	Jute manufactures including twist and yarn	88
Matches	7	Wool manufactures including twist and yarn	86
Mats and matting	20	Artificial piecegoods	94
Metals, total	68	Cigarettes	74
Motor cars and motor cycles	19	Toilet requisites	42
Essential oils	45	Toys, etc.	19
Mineral oils	7	Umbrellas, etc.	48
Vegetable oils	98	Wax of all kind	15
Oil cloth and floor-cloth	63	Manufactures of wood	43

Oral evidence, Lahore, the 8th December 1921.

3725. *Sir Edgar Holberton*—You are a Professor of Economics at the Sanatan Dharm College, Lahore ?

A. Yes.

3726. *Q.* Since when ?

A. For the last 9 years.

3727. *Q.* Where did you graduate ?

A. I hold a Punjab and also a Calcutta Degree.

3728. *Q.* You have been studying economics for 9 years but you have not had any direct connection with trade or commerce ?

A. No.

3729. *Q.* I am sorry Mr. Brij Narain, your evidence came to us too late to permit of our scrutinising it minutely. Your statement is so very valuable and so clearly supported by quotations from accepted economic books that we wish it to be on our record so that we may be able to consult it during the course of our tour in arriving at our conclusions. There are a few points I should like to ask you. At the bottom of your answers to Questions 10, 11, 12 and 13 you give your views as to the industries which should be protected. Your protection of the industries which are already in course of existence would presumably take the form of an import duty ?

A. Yes.

3730. *Q.* How would you protect an industry which is still not existent ?

A. By an import duty also. I can cite illustrations in which such protection has been beneficial in the long run. Take the example of the American tin plate industry. At first she used to import all her tin plates from Great Britain as the home production was not even one-third of the total import. A heavy protective duty was imposed till America was in a position to produce sufficient tin plate to face outside competition and then the protection was withdrawn. The natural consequence was that the import of tin plate declined.

3731. *Q.* Yes, that ruined the Welsh tin industry. In addition to the import duties the young industries would probably require further assistance on the part of Government ?

A. Government may start demonstration factories, try to train labour and so on—there are many recommendations made by the Indian Industrial Commission.

3732. *Q.* In your next paragraph you say that "the experience of the leading Protectionist countries of the world shows that once adopted Protection cannot be easily discarded....." You are thinking of America I suppose ?

A. Yes. America is consistently protectionist.

3733. *Q.* In paragraph 5, sub-para. 2, you give a sketch of the Indian industries that have derived advantages during the war. You say "The war in fact 'protected' Indian industries. As a result old industries were encouraged and strengthened and many new industries came into existence." Your fear is that some of these new industries will not be able to stand on their legs now that normal conditions have returned ?

A. Yes.

3734. *Q.* You say that the revival of foreign competition in an intense form under the existing tariff policy would have the most injurious effect upon Indian industries. Could you name any industries which would be affected by foreign competition ?

A. I have a personal knowledge about one or two industries, for instance, the manufacture of Lametta. These are copper wires from which tinsel goods are made. They used to be largely imported from Germany before. When the war broke out and import stopped they were manufactured in Delhi. I interviewed some of the manufacturers at Delhi and they told me that once the import started again they would be hard hit and have to close their works. Similarly, as regards tinsel goods. They are called 'gota'; they also used to be imported from Germany before the war; but they are no longer coming. Manufacture of glass, paints and varnishes, hardware and enamelware used to come before from Austria-Hungary but are produced locally now. I do not know what will happen to these when imports resume again.

3735. *Q.* What about the hardware industry ?

A. We cannot do without foreign competition yet.

3736. *Q.* You will agree that you are raising a very big question in your answer to Question 9 where you say that the development of Indian manufacturing industries would offer some solution of our famine problem... It is generally maintained that the industrialization of India would only affect a very small percentage of the population. Would you be prepared to agree to that ?

A. I think it is desirable to diminish the number dependent on agriculture. 73 per cent. of the Indian population is at present dependent on agriculture; above 40 millions of agricultural labourers at present live on the soil; whenever there is a famine they all starve.

3737. *Q.* What percentage would you desire to employ on land ? If they don't grow foodstuffs there would not be sufficient food supply in the country ?

A. I do not mean that any very large proportion of those engaged in agriculture should turn to some other industries.

3738. *Q.* I was rather afraid that your remedy might lead to that. Would you keep up the supply of foodstuffs by improved methods of agriculture ?

A. They are very crude at present; they could be improved by the introduction of agricultural implements and machinery.

3739. *Q.* In your answer to Questions Nos. 10, 11, 12 and 13 you say "that there has been a remarkable increase in the exports of tanned hides and skins from India during the last five years." To what do you attribute that increase ?

A. War demand; they are mostly war figures.

3740. *Q.* We have evidence to show that at the time when the largest exports went forward in 1919-20, exchange was very high. We have also been told that a very large quantity of the tanned hides and skins are lying on dealers hands at home.

A. I am not prepared in any way to accept that. I have also given the values. That point has not come in my way.

3741. *Q.* The second part of your note is really devoted to a recommendation for an export duty on wheat ?

A. Yes.

3742. *Q.* There are one or two small points I should like to ask you. In the course of your note you say that: "According to the census of 1911 out of a population of 313,470,000 the number of those engaged in "Ordinary cultivation" was 216,787,000 or 69 per cent." I think you just told me that 73 per cent. of the population depend on land. Surely they stand to gain by a rise in the prices of wheat ?

A. They do not gain by the rise in prices. It is true that 73 per cent. depend on land, but all of them do not stand to gain. 2·5 per cent. of the total population gain by an enhanced rent on agricultural land; the second class is the ordinary cultivator: 167 millions, they gain by the rise when there is a surplus to export; but as a matter of fact few of them have any surplus at all. What they produce is barely sufficient for their own consumption. Small farmers have to buy for their own needs even. Class (3) and (4) are either wage earners or field labourers and are hence adversely affected by a rise in price unless their wages correspondingly increase.

3743. *Q.* Further on in your note under the head "Suggested Remedies" you develop an interesting theory that a rise in income is a doubtful remedy, because "it is not possible for the level of incomes in India to rise to a point where the high prices of food will become a matter of indifference to the consumer. .....More money in the pockets of the people does not mean more prosperity....." Could you develop this just a little ?

A. It is frequently stated that a rise of wages is an antidote to this. It is certainly true that during the last 40 or 50 years wages have risen very much indeed. An agricultural labourer in the Punjab who was satisfied with 2 annas daily in early days now gets 12 annas a day, but the question is whether prices have not risen to a greater extent. Many times it appears that people gain by increased wages, but they really lose. Wages have fallen during the war. Industrial wages rose by 21½ per cent. on an average. I am referring to the Report on the Prospects of British Trade. Statistics

show that industrial wages rose by 21 per cent. on the average. Prices rose very much more. Labourers lose when wages fall. Wages should rise to a point where the high prices of food become a matter of indifference to the industrial labourer. But we all know now that wages as a rule lag behind prices. This is known to every student of Economics.

3744. *Q.* One more point. You are against Imperial Preference? The use of the expression "Imperial Preference" in our questionnaire has been very unfortunate. If we use such terms as "mutual advantageous trade treaties" would that do?

A. India would stand to lose in any such bargain with Britain or the Colonies. The question was examined by the Government of India in 1903; the circumstances have not much altered since then.

3745. *Q.* Suppose steps are taken by which the tariff treaty could be made mutually advantageous to both parties, would you still be against it?

A. I would require a good deal of evidence to convince me of this.

3746. *Q.* Your fear at the moment is that Imperial Preference if adopted would mean protection at the expense of Indian consumers? You might of course be correct. But if you could get the other point of view satisfied would you not object?

A. No.

3747. *Sir Maneckjee Dadabhoy—Q.* I understand, if I correctly read your note, that you are of opinion that the chief object of tariff reform in this country should be to foster Indian industries?

A. Yes.

3748. *Q.* You are also of opinion that the unrestricted import of manufactured articles should be stopped for the industrial growth of the country?

A. Yes.

3749. *Q.* And you think that an import duty affords an adequate protection to the industries of this country?

A. Yes, Sir.

3750. *Q.* And the logical conclusion of this argument is that all manufactured articles which come to India from abroad should be subjected to the imposition of a heavy import duty?

A. Not all; certain articles that India cannot produce.

3751. *Q.* During the war period India started some manufactures on account of the high prices at which they could sell the articles?

A. Exactly so.

3752. *Q.* If foreign imports are resumed, these industries would be killed, and you therefore argue that Protection is necessary for these industries?

A. Yes.

3753. *Q.* You mentioned just now one or two instances of Delhi industries which you are told would be shut down immediately they are subject to foreign competition?

A. Yes, the tinsel and copper wire industry.

3754. *Q.* In your answer to Questions 10, 11, 12 and 13, when talking of shipbuilding, you say that—"the construction of steel and composite steamships does not seem to be practicable in India." What do you argue from that?

A. I am not a shipping expert. I took this opinion from a report.

3755. *Q.* You have no personal knowledge?

A. No.

3756. *Q.* You are not in a position to tell us what encouragement should be given to the shipbuilding industry?

A. No.

3757. *Q.* Then am I to understand from your note that enamel wares, vegetable oils, chemical industries, portland cement, paints, paper making, soap, varnishes, glass, glue and gelatine are articles you would like to protect?

A. Others also. I may mention the cotton industry.

3758. *Q.* I am coming to cotton. You would like to afford some protection to this class of industries. Is that so?

A. Yes.

3759. *Q.* These industries could not compete with foreign industries without some measure of Government subvention or bounty or something like that?

A. I have not mentioned bounties. I have mentioned Protection.

3760. *Q.* What sort of Protection will you give?

A. Import duties.

3761. *Q.* Only import duties on these articles?

A. Yes.

3762. *Q.* By the immediate imposition of excessive import duties till such period as India is in a position to prepare these articles in large quantities India would suffer, is it not?

A. India is likely to suffer by Protection. There is no doubt about that.

3763. *Q.* What would you suggest for this interregnum period?

A. We cannot help it at all. The consumer must suffer.

3764. *Q.* That is your argument. The consumer must make a sacrifice for the general advancement of the country?

A. He will have to. I have also tried to show that the consumer must make a sacrifice.

3765. *Q.* Please see the end of your answer to Questions Nos. 10, 11, 12 and 13. You say "A new industry may be protected, to begin with for a limited period, say five or ten years. Protection should be removed at the end of the period if it is found that the progress made is satisfactory." Then you are in favour of partial Protection. If the industries after their period of probation are not able to stand on their legs, would you withdraw their Protection?

A. If I find that conditions favourable to the development of the industry do not exist at all, there is no use in protecting those industries.

3766. *Q.* Assume that there are conditions favourable to its development, still you would not indefinitely give Protection?

A. It is very difficult to say for how long industries will have to be protected.

3767. *Q.* If the industry after that period has been found not to develop, you will not indefinitely at the expense of the tax payer protect that industry.

A. I have not said that either.

3768. *Q.* Would you go to that extent?

A. No.

3769. *Q.* You would stop Protection if the industry is not able to stand on its legs after some time?

A. Yes.

3770. *Q.* During the period of apprenticeship would you try and protect the industry if you could expect it to stand on its own legs within a reasonable time?

A. I should not be understood to say that at the end of 5 or 10 years we should be able to do away with Protection altogether. That is the drift of my argument.

3771. *Q.* You say that once adopted, Protection cannot be easily discarded. The American cotton, steel and other industries have made great progress under protection, but they are still protected. Would you like us to go to that extent in India?

A. There is no reason why we should not. We have these examples before us, America and Germany, all protectionist countries, and certainly they are great manufacturing countries.

3772. *Q.* Are you aware of any special reasons why America even when that industry is in a prosperous condition is still protecting it?

A. I am not.

3773. *Q.* I would be glad if you would kindly explain in more detail what you say in the last sentence of your reply to Question No. 14.

A. For example, if a time comes when every country takes to free trade, that is, when there is universal free trade, I would also go in for free trade.

3774. *Q.* That is what you mean?

A. Yes, if such a time comes.

3775. *Q.* That is, if other countries go in for free trade, you would also adopt free trade?

A. Yes.

3776. *Q.* You would like to follow the lead of other countries?

A. Yes.

3777. *Q.* Kindly see your answer to Question No. 19. You say "As regards the particular case mentioned, that of yarns for weavers, it may be suggested that imports of cloth may be taxed at a higher rate than those of

yarn." Do you recommend that the yarn should be taxed ?

A. No. I am not making any definite recommendation.

3778. *Q.* I understand from your note that you object to an export duty generally except for wheat.

A. Yes.

3779. *Q.* So far the evidence before us has been mainly that no export duty should be placed on wheat. You are taking up an entirely different position. Am I right in saying that your reason for putting an export duty on wheat is that the price in Europe is the main factor in the case ? European price is the world price, and that price is independent of the price prevailing in India ?

A. That is so.

3780. *Q.* It makes no difference whatever whether our crop is deficient or abundant ?

A. No. European price is the chief factor.

3781. *Q.* Even if the European price is high and there is abundant crop in India, still the price will remain high in this country. That is your argument ?

A. Yes.

3782. *Q.* Am I to draw the inference that your argument is that the margin between the world price and the Indian price is so great that a reasonable export duty would not affect either the price for wheat in India or its cultivation ?

A. As a matter of fact I want the export duty to be high enough to check exports.

3783. *Q.* I see from your note that you are against export.

A. I do not say that export should be prohibited altogether.

3784. *Q.* I am coming to that. The Commission wants to know exactly the situation. Your point is that the margin of difference between the European price and the price in India should be such that a reasonable export duty would not affect it.

A. I mean that it should be high enough to check exports so that more corn should be left here.

3785. *Q.* You recommend the export duty particularly on the ground that it will lower prices. What will you do with the surplus ?

A. There is no surplus. I have tried to show that.

3786. *Q.* You have tried to show that the total quantity of wheat produced is 10 million tons, and that the consumption is about 10 times as great. In this connection I may put you one more question. What duty would you think to be a proper export duty ?

A. That I could not suggest, because the duty would have to vary from time to time.

3787. *Q.* It would be a varying duty ?

A. All that I can say is that in fixing the amount of the duty the price here and the price in Europe would have to be taken into consideration, and that is why the amount of the duty could not be suggested offhand.

3788. *Q.* Under the heading of Imperial Preference you say " As a matter of fact our industrialists want protection against England more than against Japan or the United States or Germany, and from their point of view the distinction made by the advocates of a preferential tariff between foreign and British competition has no meaning." Do you mean to argue from this that Germany is a less formidable opponent of Indian industries than England ?

A. Yes. I mean that. At the present time there are practically no German imports. They are very small.

3789. *Q.* What was the state before the war ?

A. As I have tried to show the greater proportion of the imports are from Great Britain, and since the greater proportion of our imports come from Great Britain, it would be a far more serious rival of India than Germany. Imports from Japan and from the United States have increased very much during the last 5 or 6 years. But before the war these imports were very small. Please refer to the statistics at the end of my note.

3790. *Q.* Suppose that this Commission decides to recommend preference, would you give preference to the Empire or to the mother country only ?

A. I am not in favour of preference at all.

3791. *Q.* Assuming that we do recommend this policy ?

A. I have nothing to do with it.

3792. *Mr. Jamnadas Dwarkadas—Q.* I gather from your evidence that you believe that India's industrial resources, which were not so well known before the war, were revealed during the period of necessity that came as a result of the war.

A. That is so.

3793. *Q.* That leads you to believe that the future is full of hope and promise ?

A. So far as industrial development in India is concerned, yes.

3794. *Q.* Don't you think that the apathy of the capitalists towards industrial development which existed during the war has also disappeared ?

A. It has disappeared because opportunities have arisen, and profits have increased. The apathy was due to the existence of foreign competition and they were very uncertain of their profits before the war.

3795. *Q.* People have greater faith in industries now than they had before ?

A. I take this opportunity of saying that there is nothing fundamentally wrong with our character. If we see profits, we go in for these industries.

3796. *Q.* You say in answer to Question No. 5 that " the adoption of a protective policy is imperatively necessary not merely to hasten India's industrial development generally but to prevent the shutting down of newly started works which cannot compete with the foreign products on equal terms. The continuance of the present tariff policy will effectively check the progress of many industries." You give instances of various industries that have developed during the war and the first instance that you give is the iron and steel industry. That was started before the war broke out, and it was not very flourishing at all before the war. During the war it prospered. It is not now in as prosperous a state as it was during the war.

A. That is a different song.

3797. *Q.* Would you advocate Protection for the iron and steel industry ?

A. I would.

3798. *Q.* A little further on you say that machinery and all articles which are necessary for industrial purposes should not be taxed. Don't you think that a protective duty on the iron and steel industry will mean a tax on machinery ?

A. Machinery made in India ?

3799. *Q.* I mean if you put a protective duty on imported iron and steel goods, don't you think that it will be a tax on the useful articles ?

A. Which useful articles ? I would exclude appliances and machinery which we are not able to manufacture at all.

3800. *Q.* Would you then advocate a protective duty for the iron and steel industry ?

A. Yes.

3801. *Q.* Will you please refer to your remarks as regards yarns in your answers to Questions No. 10—13. Do you think that India has beaten the United Kingdom in competition up to 40's ?

A. That is the official view.

3802. *Q.* There is no competition so far as counts below 40 are concerned between India and England ?

A. We have beaten the United Kingdom in that competition. That is the official view.

3803. *Q.* Do you think we have beaten Japan also ?

A. I could not tell you that.

3804. *Q.* The quantity that we import from Japan of yarns below 40 counts is comparatively large, and if you grant that India's capacity to produce that yarn is great would you advocate import duties on yarns below 40 counts ?

A. Certainly I would.

3805. *Q.* It would not hurt the handloom weaver ?

A. It might. But production of yarn will increase in India. As a matter of fact in framing the fiscal policy for India I would not take into consideration the fate of the handloom weaver.

3806. *Q.* But it is quite possible that the handloom weaver may use for this purpose yarn spun in India ?

A. Yes.

3807. *Q.* So it may not hurt him very much ?

A. It may not.

3808. *Q.* You make a statement in your answer to Question No. 14 on which I should like you to throw

more light. "But there is no good reason why the consideration that if some industries are protected, they are likely to require protection for an indefinitely long time, should weigh more with us than it does with the leading protectionist countries of the world. The period of Protection in India in a general sense would depend not merely on the degree of success attained in manufacture, but upon the tariff policy of other countries." Would you mention how the tariff policy of other countries would actually affect the period of Protection here?

A. What I mean to say is that when all European countries, America and Japan, which are protectionists, and for a long time are likely to remain such, we should adhere to our protective tariff. If countries go in for free trade, it is not likely that we would go in for Protection.

3809. *Q.* You say that once the policy of Protection is adopted, it is difficult to do without it. Do you think that state will continue in India also?

A. Very probably. Protection creates vested interests. Once you create Protection you cannot do without it.

3810. *Q.* Don't you think that public opinion will express itself strongly?

A. Public opinion in the United States and Germany is stronger than here.

3811. *Q.* If in future it is found that in India as a whole industries are sufficiently developed, and that a policy of Protection is no longer necessary and that on the contrary it is positively harmful, do you think that even then a policy of Protection will be continued?

A. It is difficult for me to think all that. I would not deceive myself into thinking all that. I am talking of brief periods of 5 or 10 years. If you adopt Protection you should adopt it for a very long time.

3812. *Q.* Assume all that?

A. It is very difficult to answer that. I could not indicate the time when it will end in India. I am unable to say that. But there is no reason why you should not adopt a protective tariff.

3813. *Q.* In your answer to Question No. 15 with regard to protection against foreign goods favoured by dumping, bounties, subsidies, transport concessions, or depreciation of currency, you give the illustration of England. With regard to transport concessions, do you think that a protective duty could be justified, if not on other grounds, merely on that particular ground?

A. It depends on how far transport concessions are given to certain industries in foreign countries.

3814. *Q.* You are aware that transport facilities are much greater in foreign countries than they are in India?

A. Yes.

3815. *Q.* Our shipping is not developed to the extent it is in other countries?

A. May be so.

3816. *Q.* In the absence of that you would advocate special Protection?

A. As I said, it depends on how far the importation of foreign goods here is encouraged by that, how far there are transport concessions in foreign countries for industries, and how far they lead to greater import into India.

3817. *Q.* But suppose you had Indian-owned ships plying over the seas, would not the freights earned by them form an important factor in the adjustment of the balance of international indebtedness in favour of India?

A. Yes. I think so.

3818. *Q.* Does not India require special protection then?

A. I do not quite see that.

3819. *Q.* It would be protection to the shipping industry really?

A. A separate case may be made out for protection to the shipping industry.

3820. *Q.* Do you think that a case could be made out?

A. I have not given much attention to it.

3821. *Q.* Talking about combinations you think that a combination can be for a good purpose also, and that it is likely that such combinations will arise in India?

A. It is probable that combinations will be formed behind a tariff wall.

3822. *Q.* And such combinations would be desirable.

A. I would not say that. It all depends on whether the combination is an evil one or not. A combination is not necessarily an evil. But I would not say that it is desirable.

3823. *Q.* A combination formed for the specific purpose of co-operating to bring down prices would be desirable, would it not?

A. Combinations have never this object in view.

3824. *Q.* They might be formed with that object?

A. Never so far as I am aware.

3825. *Q.* What do you mean by saying that a combination is not an evil but a monopoly is?

A. If a combination controls 80 or 90 per cent. of the output, it is a monopoly. But suppose it controls 20 per cent. only, then it is not a monopoly.

3826. *Q.* In that case it is not an evil?

A. No. A combination tends to steady prices to some extent. There is a great deal of evidence to show that combinations in the United States of America have not been nurtured by Protection and the opinion is that combinations have tended to steady prices, and therefore they cannot be regarded as necessarily evil.

3827. *Q.* You favour employment of foreign capital?

A. I have not said that.

3828. *Q.* You say that in so far as it enlarges the sphere of internal competition it must tend to lower prices, and that it gives employment to labour.

A. My idea is that you cannot prevent foreign capital from being invested here.

3829. *Q.* Suppose there is unrestricted employment of foreign capital, will it not tend to the decrease of the national wealth or taking of the wealth of this country? Profits are taken away out of the country.

A. But how can you prevent foreign capital being employed, so long as we are under the British? Most of the capital is British.

3830. *Q.* Some witnesses have suggested that 50 per cent. of the capital must necessarily be Indian.

A. I would not object to that if that is practicable.

3831. *Q.* In answer to Question No. 22, you say "The poorest classes of the Indian population would not be much affected by a tariff." What percentage of the population do you think would not be affected?

A. I have not calculated that. I should say a very large majority of the Indian population.

3832. *Q.* To what extent do you think it will affect the middle classes?

A. So far as they cannot do without imported articles and so far as on account of the tariff they are compelled to buy Indian made goods which they would otherwise have not purchased.

3833. *Q.* But do you think the gain to the country as a whole will be counterbalanced by the supposed loss to the middle classes?

A. That is why I advocate Protection. In the long run, the gain will be much greater.

3834. *Q.* Then in answer to Question No. 29 you say it would be necessary to appoint a permanent committee to supervise the working of the tariff. That is a suggestion which has been made by many witnesses. Could you give us an idea of your view of the constitution of that committee?

A. I have not given much attention to it.

3835. *Q.* The only other question on which I want to ask a few questions is about Imperial Preference. I think the word preference implies here preference to the Empire over foreign countries and that is, I think, the meaning of the word preference?

A. Yes.

3836. *Q.* And don't you think that so far as India is concerned preference to the Empire would practically amount to an advantage to the other countries in the Empire over India?

A. That is not the meaning of Imperial Preference. Imperial Preference means preference to the Empire over foreign countries.

3837. *Q.* What would that policy amount to in practice so far as India is concerned?

A. It means loss to India.

3838. *Mr. Mant—Q.* Mr. Brij Narain, there is much that is interesting in your note but we have not had time to go through the whole of it. I will only select one particular aspect, the most important aspect, and that

as your advocacy of an export duty on wheat. You attempt to traverse the two main objections that have been urged by previous witnesses. The first was that it was a tax or a burden on the agriculturist and the second was that it would reduce the production of wheat. I gather that you maintain that it would not be a heavy burden on the agriculturist. Your object is materially to reduce the price of wheat, but you say that it would not be very hard on the agriculturist.

A. It will reduce the gains of the large farmer; it will leave the small farmer unaffected, and it will probably benefit the agricultural labourer.

3839. *Q.* The statistics you give are very interesting, but they will have more value if you confine them to the wheat growing areas. You give statistics here for the whole of India whereas only a comparatively small portion of India produces wheat. These statistics of income from agricultural land of ordinary cultivators are all-India statistics?

A. They are all-India statistics.

3840. *Q.* The conditions of land tenure differ very largely. Have you not got figures for the Punjab?

A No.

3841. *Q.* So you cannot lay too much stress on these figures?

A. I suppose they are typical of the wheat growing areas everywhere. Conditions are not so different in various parts. What I mean is that the rise in the price of food benefits only the large farmer, and not the agricultural labourer or the small farmer. It does not matter whether the latter grow wheat or any other crop. He only grows for his consumption.

3842. *Q.* Take the Punjab. Take the small cultivator. Where he has got land revenue to pay, does he not pay it out of the sale-proceeds of his wheat?

A That is so.

3843. *Q.* If he gets a smaller price for wheat, won't the land revenue be a heavy burden? You must not forget that the small farmer has got to pay land revenue.

A. That means that the land revenue is a heavy burden.

3844. *Q.* I am taking the small cultivator. He pays land revenue out of the sale-proceeds of his wheat. There are many such cases. And according to you export taxes would reduce the price of his wheat and would reduce the amount he gets for his wheat. Therefore, he has got to sell more wheat or sell something else to pay that land revenue. Therefore it is really an additional tax on the land.

A. It amounts to that.

3845. *Q.* So you have not altogether met that objection?

A. No. I have not considered that.

3846. *Q.* You are not a cultivator yourself, but I suppose you know a good many cultivators. Have you met a small cultivator who will rather get a small price for wheat than a high price, and have you examined the cultivators?

A. I have examined them and their view seemed to me that the high price of wheat did not much benefit them.

3847. *Q.* They would rather have a lower price for their wheat than a higher price?

A. I won't say that.

3848. *Q.* Then, taking the other point, it has been represented to us that a reduction in price would tend to reduce production. You say it would not.

A. I say it need not. It depends on the amount of wheat that is grown on the margin, and it seems to me that a very large part of the wheat grown on the margin will continue to be produced, for many of our farmers cultivate for their own consumption. Then there will be improved methods of cultivation and irrigation works. There is no reason to think that production should decrease.

3849. *Q.* The farmers are not limited to the growth of wheat. For example, if they do not get a profit on wheat they might attempt to grow other crops, such as cotton, oil-seeds, etc.

A. That is to be seen. As a matter of fact, one requires a great deal of evidence on this question.

3850. *Q.* You will agree that it is possible?

A. It is a possibility.

3851. *Q.* In your note on wheat you say; "There is ample evidence of increase in the production of wheat, and yet, in spite of increased production, the price of wheat in years of good rainfall during the last four or five years has been higher than it ever was in the severest famine which the oldest man in the Punjab can remember. Since the growth of food supply in India has not been incommensurate with the growth of population, the rise in food prices must be due to the growth of the external demand." Well, as regards wheat, has there not been an increase in the internal consumption?

A. It is very difficult to say. I should suppose there was some increase in internal consumption.

3852. *Q.* The external demand is not the only factor?

A. It is the most important factor.

3853. *Q.* We were told the other day that people who used to eat *bajra* before are now eating wheat.

A. The most important factor in the rise of the price of wheat is the external demand.

3854. *Q.* I have only one other question, Mr. Brij Narain. At the very end of your note on the question of Imperial Preference, you say that if the programme were adopted "imports from the British Empire would increase, exports to foreign countries would decline, and the balance of trade would turn against us." That is on the assumption that there would be a total increase of imports without a total increase of exports. But the balance of trade will not depend on exports to and imports from one country or another: it depends on the total exports and imports. You give only two factors. You are only referring to imports from the British Empire and exports to foreign countries. But supposing our total exports increased to the same extent as our imports, how will the balance of trade be affected?

A. The question is whether the British Empire can absorb the great proportion of our exports to foreign countries. Of that there is not much evidence.

3855. *Q.* You think the British Empire could not absorb the exports?

A. Before the war foreign countries were the most important buyers of our raw produce, and it does not seem to me very likely that we could find in Great Britain as good a customer for our exports as in foreigners.

3856. *Q.* And the imports from the British Empire would increase at the expense of foreign countries?

A. Yes.

3857. *Q.* You say that imports from foreign countries will decline and imports from the British Empire will increase. There would not be a net increase?

A. No.

3858. *Q.* A mere increase in the imports from the British Empire will not affect the balance of trade? Is it not so?

A. Yes.

3859. *Mr. Birla*—You refer to shipbuilding in answering Questions Nos. 10-13. I would like to know what sort of protection you would grant to the shipbuilding industry in this country.

A. I have not made a close study of the question, and I am here only quoting from an official report where it is maintained that there is not much scope in India for the construction of big steamships. I have not made a close study of the question and I do not know how far it would be advantageous to encourage the construction of big steamships in India. I cannot throw any light on this point.

3860. *Q.* About this wheat export duty, I would like to know one thing. Suppose by imposing an export duty on wheat the price of wheat goes down. So, the cost of living also should go down. How far will it affect the cost of production of wheat to the cultivator?

A. It is very difficult to say. It may come down if improved methods of cultivation are adopted. Fall in price of wheat need not have any direct effect on the cost of cultivation of wheat.

3861. *Q.* Do the cultivators employ a large number of coolies?

A. Small farmers work themselves, and large farmers employ coolies.

3862. *Q.* Will the lowering of the prices have any effect on the wages?

A. As a matter of fact wages are not very high and I cannot think of wages falling further.

3863. *Q.* Then you think the cultivator will lose by the export duty on wheat ?

A. Large farmers will lose.

3864. *Q.* Then, how can it benefit India ?

A. I have said that in dealing with this question we have to consider the interests not merely of the large farmer but of the consumers also.

3865. *Q.* You think it is only the large farmer that will lose ?

A. Yes, not the small farmer.

3866. *Mr. Seshagiri Ayyer*—The President asked you whether the increased employment of persons in industrial pursuits would not have the tendency to deplete agricultural labour, and I think your answer was that by improved methods in agriculture the saving of labour would be so great that the industrial development will not in any way be affected. May I suggest to you one other thing: that as a matter of fact there is a great deal more labour employed in agriculture than is actually required.

A. Quite right.

3867. *Q.* As a matter of fact, it must be your experience in the Punjab that in war time about half a million were easily recruited for war purposes without in any way affecting agriculture.

A. It did affect labour in the Punjab. Some part of the rise in wages of agricultural labour in the Punjab was due to the withdrawal of a certain number of people from the agricultural industry for war purposes.

3868. *Q.* Which you do not consider to be an evil, because you do not consider the rise of agricultural wages as an evil. There are already a number of people not required in agriculture, so that the establishment of industries would not in the least affect agricultural labour ?

A. I won't be so dogmatic. I would say that there is no great danger of agriculture suffering on account of our starting industries.

3869. *Q.* About Imperial Preference, the Chairman asked you whether instead of using the term 'Imperial Preference' if, the expression "mutually advantageous commercial treaties within the Empire" were employed, you would object to having such treaties. You said you would not object.

A. In any case should an agreement be entered into which would sacrifice our manufacturing industries, *e.g.*, suppose Great Britain wants to take more of our wheat on preferential terms, but only in return for preferential tariff in favour of her cotton goods, which would sacrifice our cotton industry,—then I would object.

3870. *Q.* Notwithstanding that there may be mutually advantageous commercial treaties between the component parts of the Empire, there will undoubtedly be a preference to the other parts of the Empire as against the foreign countries. Except in the case of imports from Japan, Germany and the United States, there would be a preference in the rate of duty shown to the component parts of the Empire, and to that extent India would suffer ?

A. If the duty levied on Empire imports is not sufficiently protective.

3871. *Q.* Supposing the duty upon imported goods is 20 per cent. and the duty levied upon goods from the United Kingdom and the Dominions is 15 per cent., to that extent, *i.e.*, 5 per cent., India would lose.

A. The question is whether this 15 per cent. sufficiently protects our industries. It is not necessarily a loss to India if this 15 per cent. is sufficiently protective.

3872. *Q.* You remember that a large quantity of imports come from the United Kingdom, about 63 per cent., and if you only levy 15 per cent. upon this 63 per cent. and levy 20 per cent. for the remaining 37 per cent. would not India be a great loser ?

A. She is not a loser if this 15 per cent. is sufficiently protective. Take for example the finer qualities of cotton goods and we want protection for cotton goods of finer qualities. Now, in case we levy say 40 per cent. *ad valorem* duty on cotton goods of finer qualities coming from foreign countries and only 10 per cent, on such cotton goods from the United Kingdom, this 10 per cent. may not be a sufficient protection to our industries. In that case we lose. In case the preferential duty is 30 per cent. it may sufficiently protect our industries: in that case we do not lose by preference.

3873. *Q.* In answer to Mr. Jamnadas Dwarkadas, you said that a tariff once imposed is not easily taken away, and that this view is borne out by the history of other countries, and the question was put to you: would not India under certain conditions like to take away duties once imposed for protective purposes, and you said it was not desirable because it would depend upon the tariff policy of other countries whether we should take away our tariff or not.

A. I did not say it was not desirable.

3874. *Q.* Am I to understand you to say: suppose you impose a protective tariff, and you take it away, still if the same tariff is maintained in other countries, thereby India would suffer ?

A. Yes.

3875. *Q.* In reference to your answer to Question No. 5, in the forefront of your argument you say that the war protected Indian industries. Some people have suggested that if we impose a protective tariff there would be less supply of goods and consequently India would suffer from want of goods. I take it that your answer is that if there is a high tariff, it would stimulate in this country the production of those goods and this has been amply testified to by what happened during the war ?

A. No. But there was shortage during the war.

3876. *Q.* Take the cotton industry. India tried to supply the shortage ?

A. Yes.

3877. *Q.* Also there is a growing national feeling. That would also to a certain extent help towards the supply of various articles ?

A. Yes.

3878. *Q.* Turning to your answer to Questions Nos. 10 to 13, you stated in reply to Mr. Jamnadas that Protection once adopted cannot be easily stopped. Does it necessarily mean that the rate also will not be reduced ?

A. It does not mean that.

3879. *Q.* As a matter of fact, history shows that in America and other countries, although the whole protection was not taken off, the rate was reduced ?

A. I do not know about it. The recent changes in the American tariff show that the rates in some cases have become higher.

3880. *Q.* But there have been occasions in which the rates have been reduced ?

A. Yes.

3881. *Q.* In England it has been so and I think in Canada history shows that occasionally the higher tariff was reduced ?

A. Quite right. It may be possible to reduce the tariff, although we may not completely take it away.

3882. *Q.* Your answer to Question No. 16.—I am interested very much in the handloom industry. I cannot help saying that you are somewhat hard upon the handloom industry. You say "But I would not sacrifice industries which use machine power for the sake of the *charkha*. Nothing can be done to protect the cotton handloom industry against the competition of Bombay mills." Do you think it is a desirable state of things that this industry (handloom) should be allowed to die without Protection ?

A. I do not see how you are going to protect the industry.

3883. *Q.* I am suggesting that the handloom industry can be protected by means of subsidies ?

A. It is not Protection. Do you mean to say that Government should encourage handloom industry ?

3884. *Q.* Yes.

A. That is a different question. All that I meant was that we should not refuse to adopt protection by developing our machine industries (cotton goods production) because it might injuriously affect the handloom industry.

3885. *Q.* That is to say Protection should not be denied on account of the possibility of handloom industry suffering, but you would not be against the handloom industry being supported by the Government by other means ?

A. I am not an enemy of the handloom industry at all,

3886. *Q.* Then with reference to your answer to Question No. 17, you think that combination is a serious problem in this country having regard to the distances in which the various markets are situated. You think that combination is possible among the producers ?

A. Combinations do arise where there is Protection, for example, the American market is not a small market.

3887. *Q.* Having regard to the distance of the country, do you fear there will be combination ?

A. Take the United States of America. It is not a small country.

3888. *Q.* Is it as large as India ?

A. I could not give you exact figures. Combinations are formed behind a tariff wall, though it is very easy to exaggerate the effects of combinations on prices or on profits.

3889. *Q.* Combinations will undoubtedly have the effect of putting up prices almost always ?

A. Unless combination is a monopoly, it does not necessarily lead to high prices. Combinations in fact steady prices sometimes.

3890. *Q.* Combinations would certainly not lower the price. Mr. Jamnadas suggested that combinations could lower the prices. I do not think there will be any combination to reduce prices ?

A. No.

3891. *Q.* On the contrary they will have the effect of raising prices ?

A. Yes, particularly where combinations are a monopoly.

3892. *Q.* I asked a witness this morning and he said that the high price of wheat was justifiable on the ground that there was increased cost in cultivation and also increase in the wages of purchasers. Do you subscribe to that proposition ?

A. The cost of cultivation has increased. I do not think the present rise in the price of wheat (4 seers per rupee) is entirely due to increased cost of cultivation.

3893. *Q.* Does it bear any proportion really ?

A. No, it is profiteering; most of it is profiteering, pure and simple.

3894. *Mr. Coyajee.—Q.* Coming to the answer which you gave about the middle class being put to heavy sacrifice, particularly in the event of Protection, will you kindly explain how it comes about ?

A. The middle classes consume imported goods more largely than the poor.

3895. *Q.* Is it on account of the traditional standard of life ?

A. They have a standard of life and they cannot change easily. It is different with our village people. They are very simple.

3896. *Q.* How have they fared on account of the rise of prices during the last two decades ?

A. They have suffered a good deal.

3897. *Q.* They are hardly prepared for a further sacrifice ?

A. Of course not.

3898. *Q.* Also, may I ask, when industrialisation comes on account of Protection, the present middle class will be slightly handicapped in the race on account of the want of inherited industrial capacity compared to the other classes ?

A. Yes.

3899. *Q.* For instance the son of a middle-class man, whose ancestors have done literary work would be less capable of entering upon an industrial career than the son of an artisan ?

A. Yes.

3900. *Q.* I do not say that this is a decisive argument against Protection, but the middle class will have a good deal to suffer ?

A. Many classes of the population, who would never otherwise have thought of investing money in industries, are now doing so.

3901. *Q.* In the matter of handicap, the middle class goes up ?

A. Yes.

3902. *Q.* Now, coming to the procedure of introducing Protection, yesterday a very distinguished witness suggested to us that what are called baby industries should not be granted protection in the shape of import duties, but mainly direct Government assistance in the shape of subsidies and so on. Do you agree with that ?

A. Subsidies are very costly. Experience has shown that Protection is the cheapest method of encouraging industry.

3903. *Q.* But in the case of baby industries, is there anything which Protection can protect, when experiments are to be made and demonstration factories are yet to come ?

A. I agree that Protection cannot do everything.

3904. *Q.* Then I come to your answer to Question No. 14, I refer to the sentence, *viz.*, "I would not, however, deny Protection to any industry which needs it on the ground that it is likely to require continuous assistance." Will you kindly explain what you mean by the word "require ?" Is it actual requirement or do you refer to cases where the vulnerable infant industry thinks it requires further assistance ?

A. It is very difficult to answer your question.

3905. *Q.* You do not advocate their requiring continuous assistance ?

A. No, I do not advocate it.

3906. *Q.* Then you give us a list of industries, a fairly long list. Do you think that we should protect all these industries at once or should we select the most promising industries and begin with those ?

A. I should not object to that. I have no objection to the process of selection.

3907. *Q.* In fixing the tariff on those industries which you have named, would you not think mainly of the relative cost of production in this country and in the other country from which imports come ?

A. Yes.

3908. *Q.* That is the most important element in fixing the tariff ?

A. Yes.

3909. *Q.* You would also take into consideration the natural protection the industries might enjoy in this country ?

A. Yes.

3910. *Q.* With regard to the export duty on wheat, don't you think the two contentions in your paper are rather inconsistent ? One part of your paper is entirely occupied by Protection, and the other by the imposition of an export duty on wheat. Now you advocate import duties to develop manufactures by raising prices to consumers for the time being, on the other hand export duties are advocated to lower the prices to consumers and hit the agriculturist to some extent. There is a sort of antithesis running in it ?

A. As I have tried to show the number of people who would be affected by the export duty is smaller than most of us imagine.

3911. *Q.* Now, in the case of manufactures, you say that higher prices and higher profits will benefit the manufacturers and their labourers and also the industry. Don't you think *per contra* when you lower the price of agricultural products, you will lower agricultural profits ? You will hit not only the agriculturist but also his labourers. The two things are going on exactly opposite lines. In the case of manufactures you impose import duties and therefore you raise prices. Therefore you raise the manufacturers profits and therefore you benefit the manufacturer and his labourers and you decrease the cost of manufacture. In the other case, you levy an export duty on wheat, and you lower the price, therefore you lower agricultural profit, therefore the people are less able to pay wages to their labourers.

A. The two cases are different. We want industries here. That is one thing. We want cheap food also.

3912. *Q.* It might lead to some sort of conflict between the two ?

A. This conflict does exist to some extent. If we have a large manufacturing population, they would certainly require cheap food, and they could not be helped. Take the case of England. When England repealed the Corn Laws, she did so only on account of her manufacturing population.

3913. *Q.* There is a sort of conflict brought out by the whole reasoning and brought out all the more because you have divided your thesis into two parts, in one of which there is one line of argument and in the other exactly the opposite.

A. Yes.

3914. *Sir Montagu Webb—Q.* In the second paragraph of your answer to Question No. 5, you say "It was chiefly due to the unrestricted import of manufactured

articles that our industrial advance was so slow in the past." A witness yesterday told us it was due firstly to the want of knowledge, education and instruction, and secondly to tariffs. I gather that you want to put tariff first and that knowledge and other things will come of its accord later on.

A. I would not put it like this. But certainly tariff has a good deal to do with it.

3915. *Q.* According to your statement tariff is the chief thing.

A. Yes.

3916. *Q.* You think in fact that a high import tariff is the chief factor in developing industries ?

A. Yes, provided other conditions are also favourable.

3917. *Q.* My next question is with regard to your statement "there is no real surplus of wheat in this country." In the sense in which you use that expression, there is no real surplus of anything in the world. The only difficulty is that some people have not got enough money to buy it. Is not that so ?

A. You might argue that the whole of the wheat produced is a surplus.

3918. *Q.* If people cannot pay for all there is, presumably there must be, a surplus ?

A. I would not accept your definition of surplus.

3919. *Q.* I would only point out that your definition of surplus means that so long as there are people who want the thing, there cannot be a surplus, whether they buy it or not ?

A. Yes.

3920. *Q.* That is a very unusual economic view to take. The last question is in reference to preferential tariffs. Imperial Preference may be defined as protection for the British manufacturer. That is your definition. I have never heard such a definition before. I think what this Commission means by preference is mutual preference, and I do not think that anybody would dream of suggesting any kind of preference unless both sides benefited by it. Now, in your reply to Mr. Jamnadas you stated that preference for the Empire against foreign countries must mean loss to India. Will you explain that ?

A. In case imports of British goods continue, Indian manufacturers do not gain thereby. On the other hand if imports of German, Japanese and American goods cease on account of preference, and these imports are not sufficiently replaced by British imports, the price to the Indian consumer must rise. On the other hand, from the point of view of the exporter, if Imperial Preference means imposing preferential export duties on our raw products exported to foreign countries, it certainly means injuring the exporter and it means loss to India on the whole. To summarise, from the point of view of the Indian consumer, there is nothing much to be said for Imperial Preference, because it does mean a rise in prices.

3921. *Q.* I do not accept that for a moment. Mutual preference means both sides gain an advantage. If both sides do not gain an advantage, there can be no mutual preference. You are now assuming a case in which only one side does not gain an advantage.

A. I thought that the imperialist was interested more in certain parts of the British Empire, say the United Kingdom.

3922. *Q.* I do not think that is the meaning which this Commission intend to attach to the expression 'Imperial Preference.' It cannot be made too clear that Imperial Preference means mutual preference, and if both sides do not gain an advantage, I do not think this Commission or anybody else would recommend any form of preference. I want to make that quite clear.

A. I am very glad to hear that.

3923. *Mr. Narottam Morarjee—Q.* In your answer to Questions Nos. 10-13, you state that "Considerable progress has been made in the manufacture of textile machinery." Will you please tell me what textile machinery is being made in India ?

A. I do not possess exact information on the point.

3924. *Q.* In the same answer you also say that "so far as yarns are concerned, Indian mills have beaten the United Kingdom in competition up to 40's counts and competition in higher spinnings is becoming keener." Do you know that we have lost our China market for yarn and that we are importing a large quantity of yarn from Japan ?

A. I have been told that.

3925. *Q.* How can you say that we have beaten the United Kingdom ?

A. I did not say anything about other countries.

3926. *Q.* But we have not beaten the United Kingdom. We are still importing large quantities ?

A. That is the information of the British Trade Commissioner. He says that India has beaten the United Kingdom up to 40 counts. I have no reason to think that he has made a false statement.

Witness No. 24.

Mr. OWEN ROBERTS, 19, Lawrence Road, Lahore.

Written statement, dated the 10th November 1921.

3927. I am informed in a communication from the Under Secretary to Government, Financial Department, Punjab, that His Excellency the Governor in Council has been pleased to nominate me to give written evidence before your Commission and I now beg to submit the following :—

If this letter is to reach you in time I must confine myself practically to one point and questions directly relating to it. My business is in connection with the export of wheat chiefly and to a very limited extent that of certain subsidiary food grains, *viz.*, Barley, Gram and Maize.

The principal question relating to the export of food grains is No. 33 and in reply to this I submit that the imposition of an export duty on food grains would be of no advantage because, if carried to its legitimate conclusion, it must do infinite harm to producers and to the country at large. If taxation is resorted to it will presumably be in the form either of a flat rate or of a sliding scale. If the first system is adopted, the rate, to prove of any benefit on the lines suggested in the question, would have to be so high as to interfere seriously with business even when prices are running low and reserves are large, or it might easily fail in its object even in times of mild excitement in the international wheat market. A sliding scale of taxation might possibly be free from this particular objection but at the top of the scale the duty would have to be so high as to make export impossible and incidentally this would fix a maximum price level or something very like it for foodstuffs.

I think it is a mistake to attempt to argue a question of this sort piecemeal, but looked at broadly two points seem to stand out. The first of these is, that obviously the best way to maintain a reserve of foodstuffs in the country is to produce a surplus of them and anything that may act as a check to production on as large a scale as possible, is to be deprecated. Can it seriously be contended that a system of taxation devised admittedly to make export an impossibility when prices touch a given level, is anything but a check ?

It means that the producer knows that his largest individual buyer has his hands tied, not by the limitations of economic conditions, but by legislation that does not take into account the benefits that his fellow producer may be obtaining in other lands.

The second point is that the export trade is carried on in the *surplus* produce of the country and taxation of this surplus would mean a deterrent to its production. And when considering this question of surplus production we have not to limit our view to rice, wheat, barley, gram, and maize. There are between fifty and sixty

million acres put down annually under foodstuffs other than these and the whole would be affected.

Another point to be considered is this; nothing affords a producer greater confidence than the knowledge that he has within his reach a reliable market and he has grown to regard the exporter as his friend in need. He knows that not only can he, in case of need, absolutely rely on him as a buyer but he can also, if necessary, market an unlimited quantity with him, and this gives him confidence to go on. If this confidence is shaken and if he finds his friend can only buy under restricted conditions, will he continue to plough and sow with the same confidence?

Finally one must consider the probability of textile staples, principally cotton, becoming the Benjamin of his affections.

If its production repaid his labour and outlay with greater certainty and generosity, is there any doubt that he would turn to it? The farmer in England has given up wheat for something that pays him better and why should not his brother out here? And if this too were taxed to drive him back to foodstuffs, surely he would feel himself between the upper and the nether millstones, ground down to provide provender for the dwellers in cities. He has already borne to the full the effects of risen prices, increased assessments and enhanced water dues and if the future holds nothing for him but a definitely restricted price, it will indeed be hard.

I would suggest that the proper function of an export duty is to take advantage, from the point of view of revenue, of such products as are peculiar to the country as there is little doubt in such cases that the duty is borne by the buyer. Such a duty might also be justifiable to prevent the export of anything essential to national safety or to the preservation of a key industry. I do not think an export duty on foodstuffs can be included in any of these cases.

It may be as well before concluding this note to add a few remarks on the present high cost of foodstuffs. The prices actually prevalent to-day are without question out of all proportion to the general advance in prices of all commodities as they are higher than the international value of wheat, which may be inferred from the fact that it is possible to market Australian and American wheat at prices remarkably lower than that prevailing for the local product and therefore it is clear that the present high price is due to absolute shortage and nothing else and the whole of this shortage could probably be shown to arise directly from the two abnormally bad crops of foodstuffs the country had at the end of last year and the beginning of this. To argue that the shortage would not have been so marked if the previous crop had not been exported is being wise after the event; if anybody could have foretold the calamity with conviction to others, no doubt export would never have taken place.

If this country is to enter into the international market as a buyer, it must pay for its purchases in some way and if the producer is never to get as a minimum, at least the international value of his produce, and is to import many of his wants at the full international value, he is going to be in a bad way somehow.

Prices of foodstuffs will be stabilised only when the balance of stocks has been re-adjusted by good crops; that prices will stabilise at the levels of ten years ago is impossible, so far as one can see, and any attempt to force this can only be regarded as an economic experiment of the most doubtful kind. The last twenty years have been fraught with rapid changes; I have bought wheat from rather over 20 seers per rupee to rather less than 6 and to-day when it stands at nearer 4 seers per rupee there is less evident distress than in past years when it stood at 10 seers in seasons of scarcity.

In these circumstances one cannot help feeling that stabilisation will ultimately take place at a point bearing a proper ratio to the then economic condition of the country and to interfere arbitrarily would be to inflict a grave injury on the agriculturist who is after all the backbone of the country. The proper remedy would appear to be to push on with the development of the country and its credit resources to enable it in an early future to adopt the proper corrective of import on a large scale in seasons of scarcity. At present this cannot be done as it ought to be for want of proper security and credit facilities.

Oral evidence, Lahore, the 8th December 1921.

3928. *The President* (*Sir Edgar Holberton*).—You mention in the beginning of your note that you have been invited by the Government to give evidence. What is your capacity?

A. I export wheat.

3929. *Q.* You are not a Government servant?

A. No.

3930. *Q.* How long have you been in this province?

A. 17 or 18 years.

3931. *Q.* Entirely employed in the export of wheat business?

A. Yes, in this province and in the United Provinces.

3932. *Q.* You do not deal in any other commodity?

A. Not to any appreciable extent. I deal in barley and gram to a limited extent.

3933. *Q.* But mainly you deal in the export of wheat?

A. Yes.

3934. *Q.* You buy wheat and export it?

A. Yes.

3935. *Q.* You do not grow wheat?

A. No.

3936. *Q.* You consider that an export duty on wheat either at a fixed rate or on a sliding scale would be inimical to the interests of the country?

A. Yes, because in 99 cases out of 100 it will have to be paid by the grower.

3937. *Q.* You think that an export duty on wheat would act as a check to production?

A. Yes.

3938. *Q.* You consider that it is essential that a surplus supply should be built up within the country?

A. Yes.

3939. *Q.* You think that free trade would tend to build up that surplus?

A. I think it would.

3940. *Q.* In what way?

A. If a man knows that he has got a free market to export his surplus, he is more likely to produce such surplus than he would be if he thought that the market was restricted arbitrarily.

3941. *Q.* And you fear that an export duty might drive people into alternative crops and thereby endanger the food supply of the country?

A. Yes.

3942. *Q.* At the present moment wheat is in an exceptional state which cannot be taken into serious consideration, because prices are above world prices. That is entirely due to famine conditions?

A. That is due to want of supply, failure of crop.

3943. *Q.* It is not in any way due to Government control?

A. No, as a matter of fact India has been a very big buyer.

3944. *Q.* You speak with a great deal of knowledge of the conditions of life of the cultivator?

A. Yes.

3945. *Q.* You consider that his position in the world has improved to an extent that allows him to be prosperous even if he has to pay a rupee for 4 seers?

A. Yes.

3946. *Q.* The agricultural population of the province, in your opinion, is in a flourishing condition?

A. Yes.

3947. *Mr. Narottam Morarjee.*—Is there any cornering of wheat in the Punjab?

A. I do not think there is. I do not think there is anybody with sufficient money to go in for that kind of thing.

3948. *Q.* Are you in favour of keeping certain reserves of foodstuffs for years of scarcity?

A. No. I have never known this country not to be in a position to put up a defensive price.

3949. *Q.* Are not wheat prices regulated by the world prices of wheat ?

A. To a limited extent, but the position of India in the world's market is very much over-rated in India. The world can get on quite well without Indian wheat at all. When she does come out, the tendency is to throw prices down.

3950. *Sir Montagu Webb.*—I understood from your evidence, Mr. Roberts, that you are opposed to an export duty on the ground that it would have to be paid by the cultivator, that it would tend to reduce prices and therefore reduce production or induce the cultivator to go in for other crops. Can you give from your own personal experience any case in which the cultivator went in for other crops owing to fall in prices ?

A. Not in India, because conditions have not arisen. They have arisen in England.

3951. *Q.* I am not referring to a fall in prices because of export duty, but generally to a fall in prices. Can you recall instances of cultivators turning their attention to some more paying crops ?

A. Yes, in England.

3952. *Q.* Prices have never fallen here ?

A. They have tended to improve steadily for the last 18 years. The general price level has gone up.

3953. *Q.* The prices of grains have generally risen and not fallen ?

A. Yes.

3954. *Q.* Then you are not able to quote an example in this country of the cultivator shifting his attention from one crop to another owing to a fall in prices ?

A. No.

3955. *Q.* But you say there have been such instances in other countries ?

A. Yes.

3956. *Q.* Do you think that if the price of wheat fell now, the cultivators would go in for other crops ?

A. It depends on what you mean by price of wheat. If he saw tendencies which would make him think that he is never going to get a free market for his surplus, I do not see why he should produce it.

3957. *Q.* You instanced England as an example of a country which does not grow wheat, because it pays the farmer better to grow something else ?

A. Yes.

3958. *Q.* You think the same thing might happen in India if prices were forced down by means of export duties ?

A. Yes.

3959. *Mr. Coyajee.*—You think that if an export duty is imposed, it would decrease the total production ?

A. Yes.

3960. *Q.* Because inferior lands will be given up. Is that the argument ?

A. The line I have adopted is that the cultivator will turn his attention to more paying crops.

3961. *Q.* What are the more paying crops ? Are they commercial crops or other food crops ?

A. I fancy they would be commercial crops preferably, because the whole qestion of food supplies would be affected.

3962. *Q.* Looking at the range of prices for several years, do you find a comparison between the price of wheat on the one hand and the price of inferior food grains ?

A. I have known inferior food grains sell at higher prices than wheat, and the rise in price of barley and gram has certainly been of higher ratio than it has been in the case of wheat. The tendency has been in that direction in the last 10 years.

3963. *Q.* In that case, surely if a duty was put on wheat the farmer would like to cultivate other food grains ?

A. It all comes to the one question of supplies in India. If there is a failure of monsoon, then you will find that you have got to pay very high prices for seed for the next monsoon crop, *i.e.*, the price would be higher than that prevailing at the time for wheat.

3964. *Q.* You mean in the case of commercial crops ?

A. I am talking about other food grains. The Punjab and Sind Governments have bought them at higher prices than what they would have had to pay for wheat on the same date.

3965. *Q.* But it is on that ground, permit me to suggest, that if the farmer is hit by the export duty on wheat, he would go to the other food grains, of which prices are so high ?

A. Generally speaking the prices of other food grains are not so high.

3966. *Q.* It has been suggested before this Commission that the rise in the price of wheat has benefited the large farmers greatly, bu that the small farmers have gained little or nothing. Do you agree with that idea ?

A. There is some truth in that, because the small farmers have got to market their crops to meet their necessities without waiting for the best conditions. But efforts are now being made to meet that through the system of elevators.

3967. *Mr. Seshagiri Ayyer.*—There is no necessity for the large farmer to sell the crop for the purpose of paying Government *kist* and they keep it for some time until they see better conditions, and therefore the large farmer benefits and the smaller naturally loses ?

A. Yes.

3968. *Q.* For the last 10 years has the price of wheat in India been higher than the world prices ?

A. No. It has been artificially kept down, through Government being the only buyer.

3969. *Q.* At no time has Indian wheat been higher in the market than the world wheat ?

A. It is now. I have known it on two other occasions to almost touch on that. There have been imports of foreign wheat into the country. The moment the foreign wheat arrived, it threw the price of wheat down and it was impossible to bring any more.

3970. *Q.* Notwithstanding the fact that there has been plenty of good crop steadily during the last 10 years the price of wheat has been rising and thereby the consumer has suffered a good deal. No doubt the producer has benefited by it. Do you think that the Government should sit with folded hands and should not make some attempt to benefit the consumer ?

A. I am not prepared to admit that the consumer has suffered all the time or that the producer has gained, because it has cost more for the producer to produce his crop, and the consumer has had his income raised.

3971. *Q.* Do you think that the cost of the producer has been in any way adequate to the cost which he charges upon the wheat ?

A. I do not think you have got down to really steady results yet but they will come.

3972. *Q.* Do you think that the producer will be obliged to raise the price ?

A. I think so. The cost of production has been very much increased.

3973. *Q.* Has it been proportionate ?

A. I think sometimes it is very difficult to get labour. They have to pay Rs. 3 a day sometimes for harvesting, and previously they could get men for 4 annas a day.

3974. *Q.* Can you say the same thing as regards the consumer's rise in wages ? Has there been a proportionate rise in wages to adequately compensate him for the extraordinary rise ?

A. I think the stabilisation is going on. It cannot be done in a day. There is the tendency to settle. It will settle. If you interfere with it, you will produce false conditions.

3975. *Mr. Birla.*—You think that an export duty will check the production of wheat ?

A. Yes.

3976. *Q.* Suppose a small duty is imposed, do you think it will affect production ?

A. It depends on how small the duty is.

3977. *Q.* Supposing it is 4 annas a maund ?

A. It is a lot to put on. It will throw India out of the market.

3978. You know that there is a small duty on the export of rice. Has it affected the production of rice ?

A. India occupies quite a different position in the matter of rice to what she does in the matter of wheat. In the matter of rice she is an important factor in the international market as a producer.

3979. *Q.* There are other countries in the world which also produce rice ?

A. India occupies a very strong position, and she as not such a positi on in regard to wheat.

3980. *Mr. Mant.*—What firm do you belong to ?

A. Cements Robson and Co.

3981. *Q.* Some of the witnesses have told us that although they do not advocate an export duty on wheat, they advocate regulation of exp orts in times of scarcity. There is a sentence in your note bearing on the point in which you say, "To argue that the shortage would not have been so marked if the previous crop had not been exported is being wise after the event." Can you tell me whether State regulation of export could foresee conditions like that, and whether it would not generally be a case of locking the stabledoor after the steed is stolen ?

A. In this particular case it could not be foreseen. It would only be noticed when there was a very bad crop.

3982. *Q.* If there was a shortage of stock, it could be anticipated ?

A. Even then I do not believe that if the export had not taken place the position would have been very much better than what it is to-day. I see about 250,000 tons of foreign wheat will have been landed between September and February. I do not think that more than that quantity would have been exported. Even after the quantity exported has been replaced, the price here is higher than the world price.

3983. *Q.* You do not think that Government regulation would be of any practical value ?

A. It was of practical value during the war.

3984. *Q.* Those were abnormal conditions. I am asking you whether as a matter of general policy Government regulation would be of any practical use ?

A. I do not think so, because in previous years there has been scarcity which has been adjusted by small imports which immediately threw down the price of Indian grown wheat. But now you are up against an absolute shortage of supplies.

3985. *Q.* Do you say that the market is in a better position to forecast the state of things than the Government is ?

A. I think so.

3986. *Q.* And that really we can leave it to the market prices to regulate exports ?

A. Yes.

3987. *Q.* The reason is that as soon as the price rises above world price export automatically stops ?

A. Yes. I should like to explain a bit. I received intimation about this Commission from Government in the ordinary course of events. A good deal of arguments are based on a misunderstanding of the situation. Here is a Government publication and on page 36 the future of wheat is referred to, and the situation is summed up in 3 or 4 lines very accurately. It gives India's exact position internationally in regard to wheat and having regard to that, I think all these questions settle themselves. It runs as follows :—"It is to the temporary advantage of consumers that there should be excessive supply over demand and to the temporary advantage of producers that the demand should exceed the supply. But it is better for the world as a whole that the two should approximately equal each other with consequent stabilisation of prices. So far as can at present be judged, this position will be reached as regards wheat on the 1st August 1921, and according to present prospects excluding Russia, Roumania and India, the harvest will give sufficient yield to meet the world's probable demand." Therefore that puts India at its proper value in the international market. This seems to be the future of India's position in regard to wheat.

3988. *Q.* You say prices of foodstuffs would be stabilised only when the balance of stock has been readjusted by good crops. Do you think that if there is good winter rains, normal conditions will be restored ?

A. I do not think so. But if it is followed by a good native food crop in the autumn, next year prices will go down, taking them on the whole to their proper value.

3989. *Q.* What is the proper value for wheat now ?

A. It is very difficult to say. I do not think you will see it below Rs. 6 a maund, or between Rs. 5 and Rs. 6 a maund.

3990. *Q.* At the end of your note you say, "The proper remedy would appear to be to push on with the development of the country and its credit resources to enable it in an early future to adopt the proper corrective of import on a large scale in seasons of scarcity ?"

A. It is there for anybody who pays for it.

3991. *Q.* At present there is a good crop in Australia and we can get wheat from there, but supposing there was bad crop in Australia and in the Punjab, would we have difficulty in getting supplies ?

A. It is only a matter of paying prices.

3992. *Q.* We might have to pay a very big price ?

A. It is not more than what anybody else has to pay. We cannot expect to get the stuff, wheat or anything else, cheaper than anybody else.

3993. *Q.* The price of wheat in America or Canada may be cheaper than in Australia ?

A. There is a possibility of importing other grains, maize, etc.

3994. *Q.* You think India can get supplies from abroad and that it is only a matter of paying the price ?

A. I think so.

3995. *Mr. Jamnadas Dwarkadas.*—You are not at all in favour of an export duty ?

A. No.

3996. *Q.* You think that the remedy is worse than the evil ?

A. Yes.

3997. *Q.* But your interesting note hardly suggests a remedy that we ought to resort to, considering that shortage occurs now and then. Export duty is a remedy in the case of wheat I believe. If you think it is not, what is the remedy you suggest ?

A. The introduction of proper regulation of trade through elevators.

3998. *Q.* How would you do that ?

A. If you take the conditions under which Indian wheat is sold in England and compare them with the rest of the world you will see that Indian wheat is very differently marketed to any other wheat. If you keep it in a line, it would be an advantage to the producer, and it would be a very large source of revenue and by placing supplies in known places and being able to certify them properly, you would convey to everybody a much better idea of the stocks in the country. You would have an index to go on, which you have not got now, and therefore you would probably prevent over-trading. Very often over-trading is temporary because of high prices. That corrects itself.

3999. *Q.* You say here, "To argue that the shortage would not have been so marked if the previous crop had not been exported is being wise after the event; if anybody could have foretold the calamity with conviction to others, no doubt export would never have taken place." Unless there is export duty or prohibition by the Government, how would it check export ?

A. It is a matter of opinion. You have no data to go on, except the experience of men speaking on the subject. I cannot convince you by figures. If I am of opinion that a particular crop would not stand exporting, I have not only to confirm but to convince others that I am right.

4000. *Q.* Take the remedy that was suggested by an important witness, who said that you could have regulations in such a way as to provide for your requirements first and then utilise the surplus for exports ?

A. You could not have such a regulation. I do not think it is possible. It would probably end in getting a fearful supply of wheat into the country and make a large national loss through deterioration and in the end produce a chaotic state, by which everybody would suffer.

4001. *Sir Maneckjee Dadabhoy.*—Are you interested in the wheat trade of the Punjab only or of the whole of India ?

A. I am interested in wheat in the Punjab, the United Provinces and wherever wheat is grown.

4002. *Q.* What is the total quantity of wheat exported from the Punjab ?

A. I am afraid I could not tell you that. It varies very greatly.

4003. *Q.* Have you any idea of the total export from India ?

A. I could not say off-hand, but I have got all the figures.

4004. *Q.* I suppose you are aware that India is not the only wheat exporting country and that wheat is largely exported to Europe from the United States, Russia and Argentine and other places ?

A. Yes, I have heard of that.

4005. *Q.* You are also aware that the Indian wheat as compared with Argentine and United States wheat is of very inferior quality ?

A. I am not prepared to say that. It has its own qualities.

4006. *Q.* Will you put it on a level with other qualities produced elsewhere ?

A. Its greatest drawback is the uncertain condition in which it is shipped. It is a drawback which could be overcome. We have overcome that by experiment.

4007. *Q.* Does Indian wheat compare favourably with wheat from other countries in your opinion ?

A. It would if it were properly marketed.

4008. *Q.* At present it is not ?

A. No.

4009. *Q.* I am told that the quantity of wheat exported from India in the very best years is between 2 and 2½ million tons, while from other parts of the world enormous quantities go to Europe and they only take the Indian wheat to make up the deficiency. You are aware of this ?

A. I cannot agree with the last part of your suggestion. Indian wheat is bought when it is available, because the production of Indian wheat is an extra item and it throws the price down.

4010. *Q.* Is it not a fact that Indian wheat is taken by the foreign countries because it is cheaper in the first instance the Argentine and Russian wheat and secondly because it is of quite an inferior quality ?

A. No. I do not think so. It is too wide a statement.

4011. *Q.* Indian wheat is not cheaper ?

A. It may be cheap and it may be dear. If it is dear, it would not sell. If it is near the national value, it is taken.

4012. *Q.* As a rule is not Indian wheat cheaper than the wheat of other countries ?

A. No, I do not think so.

4013. *Q.* Is it not a fact that the European demand generally exercises a very important influence in adjusting prices of Indian wheat ?

A. Yes.

4014. *Q.* Have you noticed that if the demand in Europe is large the price in this country will rise even if the harvest is abundant ?

A. No, I cannot agree to that. If you have an open trade then the international price would represent the minimum selling price in India of wheat.

4015. *Q.* Have you noticed that if there is deficient harvest in India and no demand from Europe our prices fall ?

A. No ; I have not noticed that.

4016. *Q.* In reply to Mr. Birla you said that 4 annas a maund export duty would be a lot to put on. I am only bringing this figure to your mind, to show the margin between the price of Indian wheat and the price of wheat grown in other countries. Would it not permit of the imposition of 3 to 4 annas export duty ?

A. In my opinion not in normal years.

4017. *Q.* If we get a surplus stock of wheat in India would you recommend that it should be sent out free of export duty ?

A. Yes.

4018. *Q.* Do you think an export duty would lower the price of wheat in this country ?

A. It would fall in my opinion.

Witness No. 25.

Sardar Sahib DALIP SINGH, Lyallpur.

Written statement dated the 2nd December 1921.

4019. An export duty on wheat should not be levied for the following reasons :—

(*a*) If an export duty is imposed, it will affect the wheat-producers because the traders will reduce the price of wheat purchased by them in proportion to the increase of their expenses.

(*b*) As other countries also produce wheat, the purchasing countries will not purchase wheat from the country where an export duty would be in force and this will lower its price considerably.

(*c*) The zamindars will sustain a great loss on account of reduction in prices.

(*d*) As three-fourths of the population is rural, it is not even morally fair that they should be made to suffer for the sake of benefiting the other one-fourth population, a large proportion of whom are very prosperous.

(*e*) Reduction in prices will also put the trading people to loss by the cessation of trade. This will specially affect the city labourers and the commission agents (*arhtias*) because the commission and wages are calculated on the percentage of prices.

(*f*) Besides the zamindars, *kamins* in the rural population receive their wages in kind and sell the grain which they can save from their food requirements. Their interests will also be injured.

(*g*) In view of the cheapness of wheat, the zamindar will have to dispose of a larger quantity of wheat for defraying his necessary expenditure, *i.e.*, the revenue, purchase of cattle and payment of debts ; and will necessarily keep a smaller quantity of wheat for eating and sewing purposes. Later on he will have to buy the same from the *sahukars* for his own requirements, a fact which will generally increase scarcity in the country. The labourers or the *kamins* will also be affected similarly.

(*h*) For the reasons noted above it is obvious that if the zamindar does not derive benefit from the sale of wheat he will stop its cultivation and thereby the whole population will suffer.

(*i*) Agriculture alone is the source of income (*lit.* produce) of this country and if the price of wheat (*lit.* produce) is reduced the country will be weakened financially—a serious loss for the country.

(*j*) As the zamindars are already overburdened with revenue (*lit.* 'lagan' or rent) the imposition of an export duty on wheat will ruin them.

Oral evidence, Lahore, the 8th December 1921.

4020. *President* (*Sir Edgar Holberton*).—Where do you come from Sardar Sahib ?

A. Lyallpur : Chak No. 118.

4021. *Q.* Are you an owner of land ? Zamindar ?

A. Yes.

4022. *Q.* How much land have you got ?

A. I have got 8 squares of land which is approximately 28 *gumaos*.

4023. *Q.* How many men do you employ on your land ?

A. I have given the 8 squares of land to 16 men for cultivation.

4024. *Q.* How many men, women and children do you think can live on the product of your land ?

A. About 100.

4025. *Q.* Do you think that if an export duty is put on the product of this land it would not pay ?

A. The land is already over-taxed.

4026. *Sir Montagu Webb.*—*Q.* If a lower price was received for wheat would not some other crop than wheat likely to be cultivated? Would this be done ?

A. Yes. If the price of wheat is lowered the cultivator would naturally give up the cultivation of that crop and would cultivate any other crop instead.

4027. *Q.* What crop ?

A. Whatever crop would be more profitable.

4028. *Mr. Sheshagiri Ayyer*—*Q.* You just now said that by the imposition of an export duty the taxation on your land would be increased ? Do you mean that your income would be lessened ?

A. As a matter of fact if an export duty is levied the cultivators will have to meet it from their pocket. They will get less price and thereby the chances of making a good income would be less.

4029. *Q.* During the last 10 years the price of wheat has increased at least three times—except last year. Has the cost of production of wheat increased simultaneously ?

A. Yes; the cost has proportionately increased; the cultivation has also increased.

4030. *Sir Maneckjee Dadabhoy*—*Q.* What is the quantity produced on your 8 squares of land ?

A. 10 maunds an acre ; 28 acres make a square. So each square produces 280 maunds. My 8 squares yield on an average 2,240 maunds of wheat.

4031. *Q.* What is the cost of production ?

A. 4 bullocks, 3 men and 2 women.

4032. *Q.* How much money ? What is the expenditure on this cultivation ?

A. I cannot give the exact amount as all my land is given out on *battai.*

4033. *Q.* How much do you get from the *battai ?*

A. Half of the total yield per land.

4034. *Q.* If you cultivated the land yourself what would it cost you ?

A. Labour of 3 men, 4 bullocks and 2 women.

Witness No. 26.

Mr. MADANLAL KAPOOR, Managing Proprietor, The Indian Industries, Dharampur.

Written statement, dated the 3rd December 1921.

4035. *Q.* 1. I favour a policy of Protection and I have no objection to the imposition of certain duties for revenue purposes provided the schedules are framed primarily on the basis of a scientific tariff for Protection.

4036. *Q.* 2. I am in favour of direct taxation.

4037. *Q.* 3. I am in favour of a scientific tariff for Protection.

4038. *Q.* 4. I am of opinion that the principles on which the tariff policy is based should be changed.

4039. *Q.* 5. The existing policy as well as the policy in vogue in the past has ruined the Indian industries and a continuance of such policy will retard the development of our industries.

4040. *Q.* 6. I do not approve of an excise duty on a similar article manufactured in India as such policy is bound to hamper the Indian industries. I think it is the sound duty of the State to help and develop the industries of the country.

4041. *Q.* 7. I do not favour the imposition of excise duties as explained in (6).

4042. *Q.* 8. No.

4043. *Q.* 9. In my opinion the tariff should be framed with the fixed object of fostering Indian industries. A self-contained and a self-sufficient country which can meet all the home demands is an economic unit by itself which is a highly desirable state of things. The late war proved to the chagrin of our people how badly we were fixed for certain essential articles which could have easily been manufactured in India but for the free trade policy which has ruined us. A protective tariff which is scientifically framed to foster Indian industries is bound to develop the home manufacture which in turn will essentially result in further industrial activity thus creating more labour demand and thus obviating the problem of non-employment. This state will also open a market for the talents of our young men technically trained who now adays for want of suitable employment, are indirectly forced to fall in the arms of the Revolutionary movements. It will provide the consumer with cheaper articles in time to come and thus in the long run prove beneficial all around. The achievements reached by Germany and the United States are a clear proof of the assertion.

4044. *Q.* 10. This country has produced men like Dr. Bose and Dr. Roy even in the present degenerate times when it is very difficult to find any help for the infant industries and scientific research. Under a scientific protective tariff when the industrialists are assured of success I have no doubt that India will become independent of other countries for all her requirements of manufactured goods within a very short time, say five to ten years. I do not think that there is anything on earth which India cannot manufacture if suitable help for development comes forward to foster such industry. When the raw materials required for the manufacture of mother of industries with the single exception of sulphur can be had in abundance here I fail to understand why this country should be dependent on others.

4045. *Q.* 11. I would favour the imposition of prohibitive protective duties on all imported manufactures so that the high prices of the imported articles should give impetus to the movement of starting new industries in this country and manufacturing all such articles which are not made here hitherto. I would not mind excepting a few articles such as chemicals, dyes and machinery for the present, say for five years.

4046. *Q.* 12. I favour the protection of all industries and want to see those started which are not already in existence here.

4047. *Q.* 13. I do consider it desirable to start new industries by Protection. I would suggest that those industries which will help India to become a home of cottage and small-ware industries should be given preference according to the natural distribution of raw materials and the geographical climatic conditions: the State should not only give advice but advance pecuniary help for fostering new industries.

4048. *Q.* 14. I would give Protection to all industries for the present at least for a period of ten years and I would recommend the formation of a non-official Indian Commission to open this question after this period, and after going into the matter thoroughly to recommend the industries which in their opinion could never become self-supporting to be kept on protective list and the tariff schedules for the rest revised. There are certain essential industries for the safety of a nation which must be protected at all costs such as war-industries, etc., etc.

4049. *Q.* 15. Yes. I would grant special protection in such cases and I would leave it to the State Secret Service and the Indian Commercial Attachés abroad to ascertain the required facts. The necessary protection should be afforded by special legislation, levying duties on such goods, so that they would not be able to successfully compete with the Indian manufactures. I would also recommend special Railway freight rates for Home manufactures so that they should have advantages over the foreign competitor.

4050. *Q.* 16. I wish every success to the hand industries and in my opinion cotton handloom industry is the backbone of this country which must be maintained at all costs. The muslins of Dacca and silks of Murshi-

dabad and Benares are the art of which not only India but the mankind may be proud of.

4051. *Q.* 17. I think there is no such danger at present but in case any such danger arises in future the consumer can be sefeguarded by legislation such as that of the United States. I would suggest that all Trusts, Pools and Monopoly Boards should be declared illegal.

4052. *Q.* 18. I think such a movement is likely and in case this results in unfair competition due to production on a very large scale, or unlimited capital which some of these concerns may have at their command, the danger must be safeguarded against by special legislation. I think that no one with the single exception of the citizens of the United Kingdom, excluding all Imperial Colonies also, should be allowed to start any concern in India. I am also of opinion that Indian opinion already does not tolerate such concerns and if I doubt not there is already a boycott on such firms though it may be feeble at present but the movement is bound to grow in intensity as the time passes on.

4053. *Q.* 19. I am of opinion that there will be no difficulty in adjusting such conflicts.

4054. *Q.* 20. Some part of import duty I think is always passed on to the consumer in a rise of price.

4055. *Q.* 21. I think such a rise is not likely to be permanent.

4056. *Q.* 22. Yes. I would be willing to accept an increase in price to the Indian consumer for the sake of developing our own industries. I am certain that every country at some stage has to make sacrifices for the cause of motherland.

4057. *Q.* 23. I would not pay any heed to the classification of articles. I am for a self-contained and self-sufficient India which must be an economic unit in itself. I may point out again that we have sufficient men and material for our development.

4058. *Q.* 24. No. I hold that an increase in tariff rate will tend to decrease the cost of living. It is quite clear that when a prohibitive export duty is imposed on wheat, rice, and other foodstuff the cost of living will go down automatically. This means that the present wages controversy will disappear when the prices come down to the pre-war level. There is no need of placing cart before the horse, we must put a stop to the exportation of foodstuffs from this country which would not only result in bettering the economic condition of the people but will also sound the death knell of the present dissatisfaction and the revolutionary movement. I think Government will do much good by paying more heed to the cheapening of the prime necessities of life than by always trying to raise the wages. The tariff not only should protect our industries but also be framed with a view to keep our raw materials and specially the wheat, rice and cotton here.

4059. *Q.* 25. A temporary set-back will no doubt result so far as the foreign trade is concerned but the general commercial position and prospects of the country will not suffer at all. With the development of home industries and the retention of foodstuff in the country the conditions will change for the better. One does not need to be a prophet to predict such results.

4060. *Q.* 26. I do consider that such a tariff will be advantageous in certain conditions but under no circumstances will I allow the export of foodstuff until the prices have come down to the pre-war level.

4061. *Q.* 27. No. I would only recommend a general tariff and leave any special case which may arise to the Legislature.

4062. *Q.* 28. As I am in favour of a general protective tariff which not only should impose duties on the manufactured goods now imported but should also impose heavy duties on the raw material and foodstuffs exported, I think the formation of schedules may be safely left to the department concerned.

4063. *Q.* 29. In my opinion a permanent organisation thoroughly Indianised and under the control of the Indian Legislature will be necessary to handle the problem.

4064. *Q.* 30. I think they should be utilized for other purposes such as discouraging the export of foodstuffs and other raw materials.

4065. *Q.* 31. They might hamper the trade but in many cases such duties can be imposed without injury to the trade for instance in the case of opium, indigo, myrabolams, mahwa, jute, jute manufactures, teak wood, lac, til, oilseed, hides and skins and drugs can be taxed without any injury to the trade. I wish to point out again that comparatively speaking we gain much more by imposing heavy prohibitive export duties on rice and wheat than the gain made through the export of these articles.

4066. *Q.* 32. Yes. I would gladly recommend heavy prohibitive export duties on wheat, rice and cotton particularly and all other raw materials generally with a view to their retention in the country. Such a policy will have no appreciable effect on the producers or the amount produced. I may point out here that the land taxation policy of the Government requires drastic modifications with a view to encourage the producers. If a contented India has any value to the present government they will do better to acknowledge the fact.

4067. *Q.* 33. Certainly, I am strongly in favour of such a policy and I think we need not hope for any injurious effects on the agricultural interests or on the quantity or quality of the foodstuffs produced.

4068. *Q.* 34. I am heartily in favour of such retaliation though I do maintain that the export of raw materials should be discouraged.

4069. *Q.* 35. No. I am strongly against the idea of Imperial Preference.

4070. *Q.* 36. Certainly not, I will treat the whole Empire alike.

4071. *Q.* 37. Yes. I do anticipate a material loss to India from a scheme of Imperial Preference and I also fear retaliation on the part of foreign countries.

4072. *Q.* 38. No. I am not in favour of Imperial Preference.

4073. *Q.* 39. In case of imports into India I would only give preference to the articles for which India is likely to have to depend on other countries for ever but I do maintain that all articles in time to come can be easily manufactured in this very country.

4074. *Q.* 40. Yes. It will raise the price to the consumer and such an arrangement will be entirely unjust and a high-handed political domination on a subject race.

4075. *Q.* 41. Imperial Preference will diminish our foreign trade and will also have an injurious effect on our balance of trade.

4076. *Q.* 42. Such a diversion is bound to injure India and injure her permanently.

4077. *Q.* 43. I am interested in the following industries as a managing proprietor :—

(1) Plaster of Paris.
(2) Chalk Pencils.
(3) French Chalk.
(4) Straw Board boxes.
(5) Corner locked packing boxes.
(6) Splint sheeting (Gooches).
(7) Splint arm corner, locked.
(8) Leg splint, Bryants with sliding foot.
(9) Paper lined cotton bags flat to fold as substitute for tin boxes.
(10) Damp-proofing the packing papers.
(11) Mining in general.
(12) Hand-loom complete with auxiliary appliance,

4078. *Q.* 44. Yes. There are natural advantages for these industries in India, such as :—

(1) Raw materials can be had in abundance in India.
(2) Manufacturing process are not very tedious and difficult and I have solved the problems arising in the course of manufacturing these articles.
(3) Suitable labour can be had easily.
(4) I have invented all the necessary machinery and got it patented and there is no necessity of buying machinery from abroad.
(5) These industries can be run with small capital also and thus the problems do not present financial difficulties.
(6) There is a constant demand for these articles in the markets and these industries can stand competition after a brief period of existence.

4079. *Q.* 45. Yes, of course.

4080. *Q.* 46. (i) *Plaster of Paris.*—So far as I am aware I am the only successful man who is and has been manufacturing this article since the beginning of late Great War. Some other manufacturers did try in this field but owing to reasons not known to me they have all since closed their works. A successful attempt is however nowadays being made in Bengal. I have been able to withstand all competition so far.

(ii) *Chalk Pencils.*—There are four concerns in India including mine and so far as my knowledge goes they are well equipped and are in a flourishing state with the exception of one at Gujranwala. The chalk pencils manufactured in my concern are seamless and in this respect they have no equal in the world.

(iii) *French chalk.*—The industry is not in a flourishing state but I hope in the near future that things might change for the better.

(iv) *All others except hand-loom.*—Some of these are auxiliary industries and the rest being medical supplies are not much in want since the Armistice.

(v) *Hand-loom.*—It is very difficult to predict anything about the hand-loom. Up to now no suitable Indian invented hand-loom complete with all auxiliary appliances and capable of using Indian yarn both ways has appeared in the market. I have spent 34 years of my life and a lakh and a half rupees in experimenting on this article. I think in the near future I may have the honour to get patents on a complete hand-loom which will be suitable to the Indian condition all round.

4081. *Q.* 47. Indian market. It gives me pain to remark that the Government officers as a practice usually give their orders abroad notwithstanding the instructions to the contrary. I think my chalk pencils and Plaster of Paris can easily compete in the foreign market if suitable protection and inducement is offered by the Government.

4082. *Q.* 48. My Plaster of Paris has to compete with the foreign manufacturers in the Indian market only and the same is true of all other articles manufactured by this firm. I have to compete with articles made in the United Kingdom particularly and since the close of war I find that all Government orders are sent home notwithstanding instructions to the contrary.

4083. *Q.* 49. The steamship freight rates are far less than the corresponding Railway rates paid by the Indian manufacturers which gives an undue advantage to the foreign countries.

Pacific Mail Steamship Company runs the United States Shipping Board vessels to India, the loss in income thus being borne by that Government.

The Japanese and German concerns receive rebates on freight rates.

Many shippers in the United Kingdom as well as in the rest of the Empire receive either special rates or rebates.

The policy of the Indian Railroads also is of such nature which gives undue advantages to the foreign shippers.

4084. *Q.* 50. My industry does not need Protection if the word is used literally but it needs protection in the sense of patronizing. I think I can successfully compete with the foreign competitor in an open and fair market but I am powerless when the home indent is not circulated or published at all. For instance Government in year 1918 bought 20 thousand worth Plaster of Paris from me but since the close of war not 20 pennies worth orders have I received from the Government. Similarly the Railway authorities have never given me an order though there is a tremendous demand in that department for some of my articles.

4085. *Q.* 51. In a few years the industry would be able to face foreign competition without the aid of Protection.

4086. *Q.* 52. No. But if such an occasion arises I would suggest a 100 per cent. duty *ad valorem.*

4087. *Q.* 53. Not in a very marked degree.

4088. *Q.* 54. Yes.

4089. *Q.* 55. In due course the exchange will adjust itself to the actual conditions. So far as my industry is concerned I have no suggestions to offer but as a human policy it will be better to stabilise the foreign exchange to accelerate the foreign trade.

4090. *Q.* 56. So far as my industry is concerned the reply is in the negative as the tariff rates have not been enhanced to any appreciable extent.

4091. *Q.* 57. The industry exists on Home market only and there is no export at all for the present.

4092. *Q.* 58. No, so far as I am aware.

4093. *Q.* 59. No, with the exception of straw board.

4094. *Q.* 60. I would prefer a system under which industries will receive a necessary varying form of Protection in accordance with their needs.

4095. *Q.* 63. I recommend prohibitive export duties on all foodstuffs particularly and all other raw material generally.

4096. *Q.* 64. I don't think any action is desirable until the duties are levied on our manufactured goods. In such a case I recommend retaliation by imposing, import duties on articles coming from those countries.

4097. *Q.* 65. No.

4098. *Q.* 66. No. They do so for their own good.

4099. *Q.* 67. Yes, all articles exported to the United States, Germany and other countries.

4100. *Q.* 68. Yes. Our export to those countries will certainly diminish to an appreciable extent.

4101. *Q.* 69. No. Such an outlet is impossible without economic disadvantages.

4102. *Q.* 70. Straw board from United Kingdom, Japan and Austria.

4103. *Q.* 71. Not to any appreciable extent.

4104. *Q.* 72. An appreciable increase in the present tariff rates will stimulate the industries of this country and some one will come forward to successfully manufacture and compete with the foreign article: cotton goods, cutlery and all other manufactured articles can be easily replaced by the Indian made goods which will be a boon for the country.

4105. *Q.* 73. I am strongly against the idea of Imperial Preference and the effects of such a policy will be disastrous for India. We are asked to buy and sell in a restricted market, an entirely uneconomical process.

4106. *Q.* 74. Imperial Preference should not be introduced and if it is introduced against the united and unanimous opinion of all public bodies, surely the consequences will not be complimentary for the Government.

4107. *Q.* 75. It will diminish the import as well as the export trade and I am afraid that in such a case the people might boycott the British goods.

4108. *Q.* 76. Surely.

4109. *Q.* 77. No. I am not in favour of Imperial Preference.

4110. *Q.* 78. I am in favour of *ad valorem* duties which must be fixed with reference to the price of the article in the Indian market as well as the price of a similar article manufactured in India.

4111. *Q.* 79. Straw Board, Paper Board, Packing paper.

4112. *Q.* 80. I am not aware of any striking instance where the effects were due to the import duties. During the war prices generally went up and now they are slowly coming down and gradually must come to the pre-war level or somewhere near it.

4113. *Q.* 81. Sorry, I have no figures to give my personal knowledge.

4114. *Q.* 82. No.

4115. *Q.* 83. My trade will be diminished and the prices of certain articles will go up unnecessarily. The retail prices of all imported articles will go up, no matter on which country's goods duty is imposed.

4116. *President (Sir Edgar Holberton).*—*Q.* Are you a resident of Lahore ?

A. I am residing in Lahore for the last 17 years. I am actually a resident of Peshawar.

4117. *Q.* All the businesses which you talk about are in Lahore ?

A. Yes.

4118. *Q.* Most of them were started during the war ?

A. Yes.

4119. *Q.* Most of them are still flourishing and some of them are in a bad way ?

A. After the war Government is not purchasing a single pie worth ; they have abandoned all purchases.

4120. *Q.* You want Government help for your particular business ? What sort of Government help do you want ?

A. Facilities of communication, facilities in transport, pecuniary help for small industries.

4121. *Q.* You want Government to finance you ?

A. Yes. After sacrificing everything I find I have got no money.

4122. *Q.* Can't you put the business on the market and raise capital ?

A. India is a dead country. India does not understand small industries. She looks for big industries like jute mills, ginning factories, cotton mills. The capitalists do not care for small industries.

4123. *Q.* You want to keep India for small industries ?

A. Yes, small industries.

4124. *Q.* You don't believe in big industries ?

A. They are meant for large capitalists. Poor people must have home industries.

4125. *Q.* You want India to be self-sufficient for itself and not to import or export anything ?

A. Not to export raw material and not to import manufactured goods for the present.

4126. *Q.* You say within five years under a scientific protective tariff India will become independent of other countries for all her requirements ? Do you think it a good thing ?

A. Yes. If financial help would come forward.

4127. *Q.* You say in your answer to Question No. 32, 'I may point out here that the land taxation policy of the Government requires drastic modifications with a view to encourage the producers." What sort of modification do you allude to ?

A. Reduction in land taxation. Sometimes the price of wheat and other foodstuffs is so low that the cultivator cannot pay the taxation.

4128. *Q.* You would see the land revenue taxes reduced ?

A. Yes, especially on sugar-cane. Taxes on sugar-cane are so high that we cannot compete with foreign sugar.

4129. *Mr. Jamnadas Dwarkadas—Q.* In answer to Question No. 1, you say that you " have no objection to the imposition of certain duties for revenue purposes provided the schedules are framed primarily on the basis of a scientific tariff for Protection " : What is your meaning of " scientific tariff " ?

A. By scientific tariff I mean those things in which India has got monopoly—jute, indigo, all these things. All sorts of taxes can be levied on them.

4130. *Q.* Is this word synonymous with " protective tariff " ?

A. The things which India is producing you can put tariff on it, but on the same sort of import you may put a higher tariff.

4131. *Q.* In answer to Question No. 12, you say " I favour the protection of all industries and want to see those started which are not already in existence here." Don't you think it is rather a tall order ? Is it possible to start all such industries in India ?

A. I could enumerate many industries that can be started by Protection.

For instance :—

Slaughter house.—Blood can be used for Prussian Blue, Fertilizers, albumen, serum. Lots of capital can be employed in it. Out of intestines gut can be produced. Lots of gut are imported into India which can be produced in this country. Animal pate is thrown away—bones, hoofs and horns can be converted into glue, bone-oil bone black, cutlery, handles, etc., buttons and other things. Waste of towns and villages, bones and horns are thrown away ; they can be utilised as manure.

Perfumery can be made from Lemon grass, flowers, and rinds of orange, lemon, limes and burgoment and other lots of essence. Large quantity of Nerali oil is imported annually from France.

Hardwood grows in abundance in India ; by destructive distillation wood spirits, wood oils, fructitious vinegar can be got out of it.

Leather industry can be started as there is enough quantity of hides and skins. All the tanning materials can be obtained : such as tannin extract from bark of trees ; there is a chrome mine in Baluchistan that can serve the purpose.

Paints and pigments, varnish and distemper, rosin, pitch, turpentine oil, drying oils, coloured clays, ochres, oxidised iron ore, Hæmitite, Orpiment, Amber, Lyplizoli, Sena, Kaolin, Gypsum, Quartz crystals, Byrites, Seed lac, Shellac and spirits. India has got every sort of raw material.

Under *Ceramics*—

Pottery.—China clay, kaolin, Fuller's earth, white sand and coloured clays and fuel.

Fire clay.—All sorts of unfusible clays and silicate of magnesia for bricks and clays.

Cement.—Marble, Chalk, Limestone, clay, coal, etc. All can be found in one place.

Alum.—Alum shale, china clay, bauxite, hair alum, etc. There are many mines in the Punjab.

Sulphur.—Different sulphates and shales, Pyrites, etc., can be had in abundance. Simply they need to be explored in the hills such as Jwalamukhi. If I had the money I could find them to-morrow.

Acid.—Nitre, floride and salt in abundance in India and in the Punjab.

Textiles.—Hand work only is the backbone of India, which can employ hundreds of thousands of people in mills to comply with the demand.

4132. *Sir Maneckjee Dadabhoy—Q.* You have stated in your statement : *Suitable implements*—suitable rewards for suitable inventions and in one or two years all the implements will come forward ?

A. You can start hundreds of thousands of industries. I am a practical man.

4133. *Q.* Do you think that these could be started with State help ?

A. State help, country help, all these things.

4134. *Q.* They are not started for want of money ?

A. For both want of money and want of Protection.

4135. *Q.* If there is money and no Protection they cannot be started ?

A. No.

4136. *Q.* If you want to start these, such articles should be prevented from coming into India from other countries by the imposition of an import duty ?

A. Yes.

4137. *Q.* I understand from your answer to Question No. 16, that the muslins of Dacca and silks of Murshidabad and Benares are able to hold their own without any assistance ?

A. Yes. I may mention that we had very good workmen and some of their families are still living. In Peshawar I have seen one weaver. I do not think any other country has produced a weaver like that. The thing is that owing to competition we have ruined our industry.

4138. *Q.* Competition with what country ?

A. With foreign countries.

4139. *Q.* Are you referring to muslins, Dacca muslins ?

A. I am simply referring to the men, the silk weavers.

4140. *Q.* I know you have got men for that class of work.

A. Nothing of the sort now. That was only long ago.

4141. *Q.* What is your proposal ?

A. My proposal is that the industries must be reorganised.

4142. *Q.* Dacca muslins or silk ?

A. All cotton and woollen things must be spun and woven by hand. This should comply with the demand from villages.

4143. *Q*. I understand that industry is to be encouraged, but in what way ?

A. Hand spinning and hand weaving to be protected by bounty.

4144. *Q*. To which are you referring, to cotton or wool ?

A. Both.

4145. *Q*. In what way you will give a bounty, I do not follow. Will you just give an illustration of the bounty ? We have to finish off, and I only want to know how you would do it ?

A. I mean, Sir, hand spinning and hand weaving to be protected by bounty. Mill spinning and mill weaving to be protected by ordinary low duty. A heavy duty on foreign articles.

4146. *Q*. I understand that you are upholding excise duties. What sort of a duty are you talking of ?

A. On woollen cloth.

4147. *Q*. There is a 3½ per cent. countervailing duty on cloth produced in this country.

A. For revenue purposes this duty should stand, but on the imported cloth the duty must be larger. That will be a protection to the mills.

4148. *Q*. It is already 11 per cent.

A. It must be more.

4149. *Q*. How much ?

A. I will leave it to the legislators. I am not so wise to consider these things. Mills must be protected by heavy duties and hand spinning by bounties for 5 years.

4150. *Q*. It is a contradiction in terms if you put this 3½ per cent. duty and another duty which you recommend. Then the mills will not be protected ?

A. Mills are protected by levying a heavy duty on imported cloth.

4151. *Q*. Then this 3½ per cent. excise duty which is put does not protect the mills ?

A. No. That is for revenue purposes.

4152. *Q*. Yes. But it does not protect the mills all the same. Do you accept the principle of it ? Is it a good principle ?

A. If heavy duties are put on imported goods the mills are protected. The 3½ per cent. duty is for revenue purposes. One is for revenue and the other is for Protection.

4153. *Q*. What about hand-looms ?

A. The same bounty should be given.

4154. *Q*. What sort of a bounty ? There are class weavers in some parts, natural-born weavers, who require work and their industry is to be started. There are thousands of hand-looms in the country ?

A. I do not mean that bounty should be given direct. I mean rewards for inventions in such work. Suppose a man invents complete implements with which the weaver can earn Re. 1 a day instead of 5 annas. He must be rewarded.

4155. *Q*. Rewards for inventions only ? Anything else ? That is what you call bounty ?

A. Yes. Any man who invents must be rewarded.

4156. *Q*. In your answer to Question No. 32 you say, "I would gladly recommend heavy prohibitive export duties on wheat, rice and cotton particularly, and all other raw materials generally with a view to their retention in the country. Such a policy will have no appreciable effect on the producers or the amount produced." We have been told by several witnesses in the Punjab that this duty on wheat would be prejudicial to the interests of the agriculturists ?

A. They do not understand, Sir, the condition of the country.

4157. *Q*. Then you do not think that a moderate duty on wheat (you are talking of a prohibitive duty, I am talking of a moderate duty) would be prejudicial ?

A. We can keep the quantity required for the country, and then legislation may be passed saying that so much quantity shall be exported.

4158. *Q*. On the exported quantity you would put a prohibitive duty ?

A. That the legislators will decide. The legislators can settle what quantity is surplus and put a prohibitive duty on that surplus.

4159. *Q*. So it won't affect the agriculturist ?

A. No.

4160. *Q*. It will not lower the price of wheat in your province ?

A. The price of food products will tend to go low. Now wheat sells at 3½ seers per rupee. It must go low People were talking that wheat should go freely. They do not know the condition of the country.

4161. *Q*. In what way ?

A. The man who was sitting here did not know what you were asking him and what reply to give. Simply he knows that his pockets should be full. If any duty is put on the export of wheat it will reduce the price of wheat.

4162. *Q*. Do you mean prohibitive duty ? You are talking of prohibitive duties ?

A. Yes. Prohibitive duty will lower the price in the country. They will get other materials cheap.

4163. *Q*. What materials ?

A. Wheat is not the only requirement of life. There are other requirements.

4164. *Q*. Please see your answer to Question No. 46. You say, "So far as I am aware I am the only successful man who is and has been manufacturing this article (Plaster of Paris) since the beginning of the late Great War." You ought to be congratulated on this. But I want to know whether you mean to say that it cannot be done by other people ?

A. That I cannot say. Nothing can be done without sacrifice and India is not prepared to sacrifice a single pie.

4165. *Q*. What do you mean to convey by this ? Do you mean that success in business cannot be attained without some sacrifice ?

A. Yes. If industries are protected hundreds of thousands of men will come forward to sacrifice.

4166. *Mr. Jamnadas Dwarkadas—Q*. In your answer to Question No. 43, you say that you have had practical experience as managing proprietor in all those industrial concerns, and from that I come to the conclusion that if these and other similar industries were protected and encouraged by special help by the Government, you would have many articles manufactured in India for which you now depend upon foreign countries. Is that your statement ?

A. Yes.

4167. *Q*. For that purpose you would not only impose import duties on a few manufactures but you would also impose heavy export duties on the raw materials from which these articles are manufactured ?

A. Yes. I mean all raw materials should be prohibited from going out and manufactured articles should be prohibited from coming in, except those things which we cannot manufacture.

4168. *Q*. You would make out a list of those raw materials which can be used for manufacturing purposes in this country and so far as these raw materials are concerned, you would have an export duty, and you would have in addition an import duty on articles that are manufactured in foreign countries ?

A. Yes.

4169. *Q*. Do you think that that will not mean any loss to the people of the country for some time ?

A. There will be loss to the people in general. But the country must make a sacrifice.

4170. *Q*. Do you think that this policy will ultimately be for the good of the country ?

A. Yes. After a few years the people will be happy.

4171. *Q*. You say all this from your own practical experience of industries ?

A. Yes. Not only of these industries, but I have made researches, made experiments and inventions for the last 34 years. I am still doing it.

4172. *Q*. Leaving aside your own case, if in the whole country to-day there is sufficient talent for proper direction we could develop all these industries. Do you think there is ?

A. Yes.

4173. *Mr. Seshagiri Ayyer—Q*. In your answer to Question No. 43, you refer to a large number of industries in which you are interested, and from the explanatory note which you give one might think that without Protection they can get on very well ?

A. Yes.

4174. *Q.* You say that Protection is necessasy for encouraging these industries and in your answer to Question No. 47 you complain of the way in which Government have treated you. Apparently you do not want protection. You do not advocate Protection there ?

A. For my present articles not at all.

4175. *Q.* In your answer to Question No. 50 you also complain of the left-handed treatment given by Government to Indian industries ?

A. Yes.

4176. *Q.* Therefore do I understand you rightly when I say that your complaint is that in consequence of the bad treatment given to local industries these industries have not flourished ? Is that what you mean ?

A. Yes, Sir.

4177. *Q.* There is no question of Protection in these matters ?

A. No.

4178. *Q.* Is there any question of Protection coming in ? You say that these industries would have flourished very well if the Government had taken care to encourage the local industries ?

A. I mentioned only about my own industries. As regards other industries they should be protected.

4179. *Q.* These industries of yours would have flourished without Protection ?

A. I managed to compete.

4180. *Q.* You could have very well succeeded if the Government had treated you fairly. That is what you say. As regards other industries you say that you want Protection ?

A. Yes.

Witness No. 27.

Mr. SAMPURAN SINGH, Bar.-at-Law, Lyallpur.

Written statement, dated the 1st December 1921.

The following answers deal with only agricultural aspects of the questions.

4181. *Q.* 30. The export duties may be justified in some very exceptional cases, as when a thing is produced only in one country and it is a necessity for others which they must buy at any price. In all other cases the imposition of such duties would be most unequitable and unjust to the producer as it would directly touch his pocket. It would be sacrificing his interests for the sake of others.

4182. *Q.* 31. Generally speaking the effect of export duties shall be very injurious to the country, because they shall restrict both the export and supply of the agricultural commodities produced in the country and in this way they would be a standing bar to the progress of the people.

4183. *Q.* 32. Effort on the part of the Government to impose tax of that kind on raw materials will be most cruel to the producer, *i.e.*, the agriculturist and other rural population of the country, under no circumstances that could be justifiable.

The interests of the townsman and the manufacturer on one side and that of the agriculturist on the other conflict. The former tries to exploit the latter and wants to live on his labour, this is his traditional policy and he has practised it for centuries. Now when there are quick and more efficient means to facilitate traffic between different countries and the zamindar has begun to feel that he is no longer a " helot " to work for the townsman, the latter has started to find out more artificial means to keep the former (as he would say) within proper limits and not to let him eat the fruit of his labour (which is the birth-right of every human being) and he thinks that all the advantages which may have accrued to the zamindar on account of the changes caused by new conditions should eventually come to his pocket through the medium of export duties.

This measure shall be doubly harmful to the agriculturist. He loses when he sells his commodities and he loses again when he buys the manufactured articles. As already submitted this is really a conflict between the zamindar and the townsman. The most of the present day politicians come from town and with the aid of press and platform (which they very cleverly manipulate) they have become very formidable opponents of the simple and dumb zamindars. They have taken advantage of the present high rates and have made it hot for the Government.

If the Government yield and introduce export duties or put any such restrictions as they did during the war time to cheapen the foodstuffs the rural classes may retaliate against them in their own rough manner. which shall be calamitous both to the townsman and the agriculturist.

4184. *Q.* 33. Imposing of any such tax with the idea of lowering the Indian prices would be nothing less than downright robbery. In doing so there cannot be any other object than to help the richest man to loot the smallest producer. The land is already so heavily taxed that accurate estimates will show that after paying for labour and for so many other exigencies there is only a little margin left for the agriculturist to live upon. If this profit is diminished even by a small amount, the growing of foodstuffs shall be discouraged and it shall be too much if we expect that if such tax is imposed, in a few years' time we may again find that greater part of the arable land may turn into waste. The agriculturist cultivates because it pays him and as the life in towns is getting more comfortable he expects to raise his standard of living as well and if such legitimate hopes of of his are frustrated, there will be greater dissatisfaction, poverty and inefficiency of work amongst the rural classes which in its turn shall tell on the towns-people as well.

The climate and other circumstances of a country make it more suitable for certain kinds of industries to grow. India is primarily an agricultural country. No doubt, we should encourage and develop other industries as well but to do so on the sacrifice of agriculture shall be simply suicidal.

Oral evidence, Lahore, the 8th December 1921.

4185. *President* (*Sir Edgar Holberton*). *Q.* Have you personal acquaintance with business ?

A. With agricultural industry.

4186. *Q.* Are you a zamindar ?

A. Yes.

4187. *Q.* You hold property at Lyallpur ?

A. In Amritsar, Lyallpur and Hyderabad (Sind).

4188. *Q.* What is the extent of your holding ?

A. About 33 squares in Sind, about 23 squares in Lyallpur district and about 20 squares in Amirtsar District.

4189. *Q.* Cultivation is under the system of tenant armers ? You do not cultivate ?

A. There is some self-cultivation too.

4190. *Q.* Where do you do that ?

A. At Lyallpur.

4191. You look after it yourself ?

A. I occasionally visit the holding.

4192. *Q.* Your evidence, I believe, is to be looked at from entirely agricultural aspects ?

A. That is right.

4193. *Q.* You say that the interests of the townsman and the manufacturer on one side and that of the agriculturist on the other conflict ?

A. I think there are two communities of interest in India, the rural and the townsman.

4194. *Q.* Do you belong to the rural ?

A. Yes.

4195. Do you think that the interests of these classes are really opposed ?

A. Yes.

4196. *Q.* Do you think that any restriction which Government might put on the export of wheat or any restriction they might put on the free trade in wheat would benefit the townsman at the expense of the cultivator ?

A. That is right.

4197. *Mr. Narottam Morarjee.*—*Q.* Would you like restriction of the export of wheat during scarcity or famine times ?

A. On no occasion.

4198. *Q.* Supposing wheat is allowed to be exported during famine times, don't you think that the consumers of the Punjab will suffer thereby ?

A. I should not think so, because wages will naturally go high.

4199. *Sir Montagu Webb*—*Q.* Have you considered the advantage of having large industries in your midst, in this way that there would be demand for your agricultural produce close to your door ? Do you think that it would be an advantage ?

A. Yes. Naturally, of course the development of industries would be helpful to me.

4200. *Q.* Seeing that the produce which you sell at your door would not have to pay the railway freight to get it down to the sea coast, would it not be very much better for your produce if you had industries at your door ? You would save railway freight to the coast. Would you not ?

A. I think that question would apply only to such things as cotton.

4201. *Q.* Food products ?

A. We do not get them in manufactured form.

4202. *Q.* The establishment of industries would lead to industrial labour, which will have to be fed. They will have to buy wheat from your fields and that wheat would not have to pay railway freight to get down to the sea coast. Therefore you might get better prices for your wheat if you had industries at your door. Have you considered that point ?

A. I really do not follow you. Do you mean that by the development of industries there will be a greater number of consumers ?

4203. *Q.* Yes. That is the thing.

A. There will be a greater number of men in the country ? I cannot follow. How will there be a greater number of men to consume these articles ?

4204. *Q.* I merely ask you that if enough industries were there, the existence of that market would be an addition to you or not ?

A. In my opinion there cannot be a greater number of consumers.

4205. *Q.* In that case I take it that there would be no advantage in having any industries at all. It is thought very often that it is advantageous to have industries close to agricultural districts, because these industries are markets for your produce. Instead of having to send your produce half way round the world and pay railway freight and other charges you will have a buyer at your door ?

A. It may be. If there are 6,000 men living in a town and if their number is increased by 4,000 or 5,000 I do not think that will make any appreciable difference in price.

4206. *Q.* You do not think that it would be an advantage to have industries at your door ?

A. Such migration of population would not occur.

4207. *Q.* Take the industry at your door. Is not it an advantage ?

A. Not much. It will be rather a danger in a certain way, because labour will become dearer and in that way it will have a bad effect upon agriculture.

4208. *Mr. Coyajee*—*Q.* It has been argued that at present there are too many working on the land, and that consequently the margin of cultivation is lowered, *i.e.*, bad lands have been cultivated. If there are fewer numbers then the margin of cultivation would rise and consequently the income of the agriculturist would also increase. What is your view ?

A. Well, in my opinion, the land is not fully cultivated as yet, and there is plenty of room for development.

4209. *Q.* Then it has been argued that agriculture is a precarious industry, *i.e.*, on account of failure of the rains and other things it is liable to be disturbed : therefore, to balance this precariousness we require Protection.

A. It would become more precarious if export duties are put on raw material.

4210. *Q.* Why ?

A. The prices would fall, and it will cause loss to the zamindar.

4211. *Mr. Seshagiri Ayyer*—*Q.* May I put to you the question which Sir Montagu Webb put to you slightly differently ? You have to export wheat from here and sell your wheat in the market outside ?

A. That is right.

4212. *Q.* Supposing there is a good industry in your midst in the Punjab, there will be a number of men employed in the industry, would not selling to them be more advantageous to you than incurring the expense of freightage, etc., in sending these outside India ?

A. Sir, that would be true if the development of industries increased the number of the population as a whole. If that were the case then I will say 'yes.' But it would not increase the number of men : it only means that some men may go from Lahore to Lyallpur or come to Lyallpur from Madras.

4213. *Q.* From the point of view of the wheat growers, would it not be an advantage to them to sell it locally to a market which can command the whole of the produce rather than incur the risk of selling it in a foreign land and incur the freightage, etc. ?

A. So far as the shifting of population in the country is concerned that won't make much difference. But suppose men from outside were to come in large numbers —which I cannot imagine—then it would be.

4214. *Q.* Now, you say that the land revenue is already a very heavy one. European witnesses and Indian witnesses have suggested that the land revenue in the Punjab is very light. I tried to make a comparison between the land revenue here and in Madras. I am told that the highest revenue upon an acreage of land in the Punjab is Rs. 5, and in some cases even less. In our part of the province we pay Rs. 12 to 14 for the first crop and Rs. 8 for the second crop.

A. Is it so in the country or in parts close to the towns ?

4215. *Q.* I am myself a landowner in the country, and I pay Rs. 12 to 14 an acre for the first crop and Rs. 8 for the second crop.

A. When I say the land is very heavily taxed I compare India with Europe.

4216. *Q.* If you complain of Rs. 5 I do not think my voice could be loud enough to complain of Madras taxation.

A. Compared with the case of England, it is too heavy.

4217. *Q.* A witness has also said that from 1901 to 1922 the price of wheat has at least gone up three times.

A. No, it has not.

4218. *Q.* If you take Mr. Townsend's figures, it was Rs. 2 per maund in 1901, but in 1921 it was Rs. 10, but in 1919 it was Rs. 6 and odd. So, the price of wheat during 20 years has increased five times. You may take it from me that these are figures from official records.

A. I thought about Rs. 4 or Rs. 5 is the ordinary price of wheat now.

4219. *Q.* Now, if that is so, can you tell me that during the last 20 years, taking 1901 as the starting point, the cost of production of wheat has in any conceivable degree risen to the same proportion ?

A. I should say that about 10 years ago in Lyallpur district we had to pay Re. 1-8-0 as land revenue and about the same amount for water rates, totalling Rs. 3. Now the total expense comes to about Rs. 13 or 14. In 1901 we could get a local labourer for two annas.

4220. *Q.* Full time labourer ?

A. For 3 annas. When I was a school boy only about 12 years ago, when I went from home for vacation we generally got labourers for 2 annas and we employed them up to 2 P.M.

4221. *Q.* What would be the cost of a labourer to-day ?

A. It is more than a rupee.

4222. *Q.* In 1919.

A. In 1919 it was 8 annas.

4223. *Q.* Do you think the cost of production is proportionate to the high price which you secure ?

A. The agriculturists have now to spend more on his personal requirements also.

4224. *Q.* That is not the cost of production ?

A. The man who labours naturally should have the fruit of his labours, and now that other people spend more money he should get more money to spend also.

4225. *Q.* Are you justified in selling wheat at such a high price when the cost of production has not proportionately increased ?

A. I do not think it has risen exactly to the same amount.

4226. *Mr. Birla—Q.* You say in your reply to Question No. 32 that the imposition of an export duty " will be doubly harmful to the agriculturist. He loses when he sells his commodities and he loses again when he buys the manufactured articles." I can understand you when you say that he loses when he sells his commodities, but I cannot understand you when you say, " he loses again when he buys the manufactured articles." He sells his commodity cheap, and therefore, as you say, the agriculturist loses. What I cannot understand is how he loses when he buys the manufactured goods, simply because an export duty is put on foodstuffs. Can you explain this ?

A. It would be so only in the case of things which he gets from outside. For example, we send cotton outside, and naturally when we put an export duty the foreign countries have to buy dearer, and they will have to put that price when they send the same article in manufactured form to India. In that way, when we sell we sell cheaper and when we buy we pay dearer.

4227. *Q.* Don't you know a large quantity of cotton is consumed in this country and is manufactured in this country by the Bombay and Ahmedabad mills, and also to some extent by handlooms. If they get the raw material at a cheaper rate than the foreigners, don't you think they will be able to produce manufactured goods at cheaper rates than the foreigners ?

A. Well, in the case of those things which are manufactured in India, I think my remark would not hold good.

4228. *Q.* You think you were wrong ?

A. It is partially right and partially wrong. It is right so far as goods sent outside are concerned and it is wrong when they are manufactured in the country itself.

4229. *Q.* Can you give an example ?

A. For example cotton.

4230. *Q.* Cotton is largely consumed here.

A. Well, as regards the part which is consumed in the country it would not be right.

4231. *Q.* Now, you think that the interests of townsmen and of villagers are different. Do you think that what is good for the country as a whole cannot be good for the villagers or zamindars ?

A. What is good for the zamindars and villagers would be good for the whole country, because they form the major portion of the population.

4232. *Q.* You say their interests are different, and you also state that " most of the present day politicians come from town and with the aid of press and platform (which they very cleverly manipulate) they have become very formidable opponents of the simple and dumb zamindars." So, you think that their interests clash with those of the present day politicians ?

A. Mostly the interests of the townspeople clash with those of the villagers. I have used the words " townspeople," because generally the politicians come from the towns. When some of us who live in the towns come into touch with lawyers and politicians we lose touch with the rural classes.

4233. *Q.* You think the interests of townsmen and villagers are different ?

A. I have already submitted that there are only two interests in India, the rural and the townspeople. What is good for the villagers is good for the country, because it secures the greatest good for the greatest number.

4234. *Q.* Do you know that in villages also there are a large number of consumers. Most of the agriculturists consume not only their own produce, but have to make also further purchases for their food ?

A. Perhaps it is on account of the wrong economy on their part. Because they sell the goods as soon as they come from the fields and when the harvest time comes about the end of the year they begin to buy. I think as the co-operative system develops in the country that difficulty will be removed and everybody who works in the fields will conserve enough for his consumption.

4235. *Mr. Jamnadas Dwarkadas*—I just want to pursue that point further, your remark, " he loses when he sells his commodities and he loses again when he buys his manufactured articles." You say that that remark does not apply to articles manufactured here, but that it applies to articles manufactured abroad. Let us imagine the process that will come into being. You say an export duty will enhance the price to the foreigner, so that when a foreigner buys the raw material from here he will pay a higher price for it than he used to pay ?

A. The difference would not go to the zamindar ; that would go to the Government in the form of export duty.

4236. *Q.* So, the zamindar will get as much as he used to get before ?

A. Perhaps not, because the thing would not go out, as the higher price will discourage the foreign buyers.

4237. *Q.* It would not go out at all ?

A. It would go in lesser quantity.

4238. *Q.* And the article will be used for manufacturing purposes in the country itself.

A. It will also get cheap.

4239. *Q.* So the manufactured article will be got cheaper in the country ?

A. But it would do greater harm to the zamindar, as he has to buy very little but sell more.

4240. *Q.* You mean to say that the class which sells the article do not use the manufactured goods ?

A. Very little comparatively speaking to the townspeople.

4241. *Q.* So, their standard of living has not gone up ?

A. Not to such an extent as that of the townspeople.

4242. *Q.* There is a great deal of inconsistency, and I am not quite clear about your meaning.

A. For example, if these things remain in the country, they become cheap and the articles which are manufactured in India will become cheaper, but the goods which become cheaper will be consumed by the townspeople and naturally they get cheaper goods ; while the person who sells the raw material at a cheaper rate buys very little of the manufactured goods.

4243. *Q.* So you change your opinion now that so far as standard of living is concerned—the agriculturist's standard has not increased ?

A. He expects to live up to their style, but he cannot. He would like to, but he cannot afford it.

4244. *Q.* But when the article is cheaper in value, don't you think he will live up to it ?

A. He will have hardly any money, because his pocket is hit hard.

4245. *Q.* Your agriculturist wants to raise his standard of living. Suppose there is an export duty, and the article is produced here, and the manufactured article sells much cheaper. Now, if there is a desire on the part of your agriculturist to raise his standard of living he can get the article cheaper. Naturally the manufacture will increase and so it will be a help and encouragement to the producer.

4246. *President*—You are putting your own case in your own words. Did the witness say that the imposition of the duty is going to make the manufactured article cheaper ?

4247. *Mr. Jamnadas Dwarkadas*—He has said so.

Witness—I have not exactly said that the goods would become cheaper. I have said that my remark " he loses again when he buys the manufactured articles " would hold true in the case of things which go outside and come back as manufactured goods, but that it would not hold good so far as those things which remain in the country, are manufactured here and come back to the zamindar are concerned. It does not necessarily follow that the goods which are manufactured in this country would become cheaper. Their prices may remain the same.

4248. *Q.* You said your remark did not apply to home made goods, but that it applied to foreign goods. I put it to you : when the agriculturist class, to which you belong, buy the articles made here, would they not find it cheaper ?

A. There are so many other things which would affect the price. I have not studied the industrial question

from all aspects: so I would not be an authority to say anything on that point.

4249. *Q.* I ask this question of you, because you have made very strong remarks against politicians, which I do not consider to be fair. Now, do you think that India is a rich country or a poor country?

A. It is a poor country.

4250. *Q.* And the larger portion of the population depends mainly on agriculture?

A. Yes.

4251. *Q.* So you would not like to remain in that state? Would you?

A. I won't like to remain poor.

4252. *Q.* It has been found that the sole dependence upon agriculture is one of the main causes of its poverty and therefore some men honestly try to develop the industries of India.

A. So, I have said I would like industries to develop but I do not think they should develop at the expense of agriculture.

4253. *Q.* You yourself admit that India is poor to-day. Won't you make it rich? Cannot these two things,—industry and agriculture,—go hand in hand? But it would appear that you want to sacrifice the whole population to the benefit of agriculture.

A. I would like you to point out any particular words.

4254. *Q.* You say in your answer to Question No. 32 "The interests of the townsman and the manufacturer on one side and that of the agriculturist on the other conflict. The former tries to exploit the latter and wants to live on his labour, this is his traditional policy and he has practised it for centuries. Now, when there are quick and more efficient means to facilitate traffic between different countries and the zamindar has begun to feel that he is no longer a 'helot' to work for the townsman, the latter has started to find out more artificial means to keep the former (as he would say) within proper limits and not to let him eat the fruit of his labour (which is the birth-right of every human being) and he thinks that all the advantages which may have accrued to the zamindar on account of the changes caused by new conditions should eventually come to his pocket through the medium of export duties." Don't you think it is a rather unfair picture that you have painted of the townsman?

A. I have always thought so, Sir.

4255. *Q.* You admit that India is a poor country. Any one who tries to make that country richer serves the interest.....

A. We zamindars pay a high rate of interest to the sowcars. We simple people living in villages really feel that we are being exploited. I am myself a Barrister, and I have experience in that way. I feel that we people who live in towns rob those simple people. There are several Extra Assistant Commissioners and Magistrates amongst us,—tahsildars, Government servants, sowcars, these are the people who live in the towns. All these have a sort of free masonry, a sort of understanding that their business is to get money out of the simple people.

4256. *Q.* You make a statement. Will you prove it by facts? How do they rob?

A. Well, I think there is a sort of understanding between these persons.

4257. *Q.* Can you give any proof of such an understanding?

A. I am saying it from my experience. I see it every day. There is an understanding between all townspeople to rob the villagers. If there is an orderly of an Extra Assistant Commissioner, a chaprasi in the court, he comes out to a certain litigant and he wants *bakshis* from him. The *munshi* of a pleader does the same. The pleader himself would encourage him; he would even scold his client.

4258. *Q.* It is not relevant to this question. Do you think you are justified in attacking a portion of your countrymen?

A. I say there are two classes of interests, one the agriculturists and the other the townspeople. The latter think that it is their business to exploit and loot the agricultural labourer and take his money.

4259. *President*—That is his opinion.

4260. *Mr. Jamnadas Dwarkadas*—I do not think he has got any opinion.

4261. *Sir Maneckji Dadabhoy*—In answer to Question No. 30 you say that export duties may be justified in some very exceptional cases. Will you just enumerate those exceptional cases?

A. I have tried to define those cases: "as when a thing is produced only in one country and it is a necessity for others which they must buy at any price."

4262. *Q.* Will you give me some instances?

A. As in the case of Ceylon and Malay States.....

4263. *Q.* You must confine your remarks to India.

A. I cannot think of any particular industry.

4264. Would you bring jute in?

A. We do not produce much jute in the Punjab.

4265. *Q.* And tea and coffee.

A. I would bring tea.

4266. *Q.* In your written statement as well as in your oral deposition to-day, you have been referring throughout to the word 'zamindar.' Am I to understand by that word that you refer to the landlord or the tenant,—the actual cultivator of the soil?

A. In several ways their interests are the same.

4267. *Q.* I want to know what is your deposition. Do you speak for the landholders or for the tenants?

A. I speak for both.

4268. *Q.* At least it does not appear from your deposition that you are speaking for both. Do you really think you are speaking for both?

A. In the case of the Punjab there are very few zamindars who own large holdings, but in other parts of the country, there are large landholders. In my village, excepting my family, everybody has a small holding. Whenever I say anything I put myself in the position of my kinsmen.

4269. *Q.* When you say that they are poor and this will affect them, do you mean the zamindar or the cultivator?

A. Perhaps the term zamindar is confusing. I mean an ordinary Jat who owns a small piece of land, *i.e.*, the actual cultivator of the soil.

4270. *Q.* You do not refer to the landlord?

A. He would suffer too, but not to the same extent.

4271. *Q.* I am sorry I cannot allow your answer to Question No. 33 to go altogether unchallenged. You say, "Imposing of any such tax with the idea of lowering the Indian prices would be nothing less than down-right robbery. In doing so, there cannot be any other object than to help the richest man to loot the smallest producer. The land is already so heavily taxed that accurate estimates will show that after paying for labour and for so many other exigencies there is only a little margin left for the agriculturist to live upon." Don't you think it is an extremely overdrawn picture?

A. There are so many ideas in the sentences you have read.

4272. *Q.* Don't you think that the whole thing is extremely exaggerated?

A. I read it in this way. The land revenue on an acre is Rs. 1-9-0 or thereabouts. If we produce say 8 maunds from an acre, and if some duty is put on it, I think that will appreciably increase the land revenue *ipso facto*.

4273. *Q.* Do you think that an export duty of 3 to 4 annas on wheat will cause the situation which you represent?

A. I think 3 or 4 annas is a good deal.

4274. *Q.* It will cause the same position?

A. I think it would. I think it will affect the zamindars.

4275. *Q.* So according to you the agriculturist has no margin, while the Registrar of Co-operative Societies told

us yesterday that your province, which is purely an agricultural one, imports precious metals to the extent of 5 crores of rupees every year.

4276. *President*—The witness has got his opinion. I do not think it is our business to change his opinion.

4277. *Sir Maneckjee Dadabhoy*—He is making statements which are entirely unjustified. I want to know what is the real state of affairs. I am prepared to bow to your decision. But my contention is that I have to make up my mind whether to recommend to Government the imposition of a duty on wheat or not. And in order to find that out I must know the exact position of the agriculturists in this province.

4278. *President*—Will it be done by succeeding in changing the views of one witness on a particular subject?

4279. *Witness*—I will explain. Only a few years ago land revenue was enhanced in the Lyallpur district and at that time we collected information and tried to represent to the Government how much a zamindar saves from his land income, and I remembr that it was only about Rs. 130 which he saved in the whole year, with the man, his wife and child working on the field. I think you would not call it a large margin.

4280. *Mr. Jamnadas Dwarkadas*—By whom have you been asked to give evidence before this Commission?

A. I received a letter from the Financial Secretary to the Punjab Government. I do not know who recommended me.

4281. *Q.* Do you belong to any Zamindars' Association?

A. Yes. I am a Member of the Managing Committee of the Zamindars' Association at Lyallpur and I am the Secretary of the Central Co-operative Bank.

4282. *Q.* Who is the President of that Association?

A. The Deputy Commissioner.

4283. *Mr. Birla*—*Q.* Do you represent some Association or are your views your own?

A. The views expressed are my own personal views. But I may as well add that these are the ideas which are held by most of the zamindars and agriculturists in this province. I have consulted most of them and they all hold the same opinion.

Witness No. 28.

DELHI PIECE-GOODS ASSOCIATION.

Written statement, dated the 26th November 1921.

4284. *Q.* 1. We generally favour the policy of free trade, but looking to the stern realities of the facts as they are, we cannot but come to the conclusion that it can no more prevail universally at present than any other noble ideal, for instance the brotherhood of man. Under these circumstances we advocate the levy of a judiciously and scientifically planned tariff primarily with the object of establishing various industries which can be started because the raw material and resources are there and the establishment of the same is justified by the proximity of the market and other favourable circumstances and secondarily for the purpose of raising revenue for the State. In so doing we should always aim at giving the greatest freedom to the trade and the commerce of the world as soon as our infant industries are able to stand on their legs and face all kinds of legitimate competition. We should also take necessary care that no influential combination prejudicial to the interest of the community at large may come into existence.

4285. *Q.* 2. In our opinion the burden of the indirect taxation falls upon the poor more than upon the rich, but at the same time we realise that for an equitable distribution of burden for the needs of the State the two must go hand in hand. But they should be so arranged that those who are able should be required to pay more.

If for the purpose of the State revenue, it were necessary to increase the Custom duties, they should be done, first on such imports which under the shelter of bounties or some other artificial stimulus are doing an injury to our growing industries, and when such a list has been exhausted then the attention should be directed towards other commodities. We would adjust the tariff in such a way that without sacrificing revenue a good many of the national industrial efforts could be secured against foreign competition and a good many other industries justified by the magnitude and accessibility of natural resources, market and labour in India could be established. But under exceptional circumstances they ought to be increased on the fully developed industries which can hold their own in the field, otherwise the influential interests and combinations will not fail to take advantage of the situation for their own ends, to the detriment of the very large majority of silent but in no way less concerned consumers.

We attach a separate note on the piece-goods trade of the country with which we are directly concerned. The chapter and verse that we have quoted therein conclusively demonstrate that the textile industry of India has come to the stage when it does not stand in need of any artificial props. Any increase of duty on the imported cloth whether it is done for the purposes of revenue or otherwise will mainly fall on the poorest classes.

4286. *Q.* 5. There are some industries such as thymol, sugar and paper for the manufacture of which all kinds of national facilities exist in India and which for some time to come cannot successfully compete with the similar foreign products. Under the existing tariff policy they have greatly suffered. And if the same is persisted in in future, they cannot prosper for want of a healthy stimulus.

4287. *Q.* 6. We shall judge the individual article on its own merits. If it is dumped into our market and injures in any way our subsidiary cottage industries, which are a great desideratum for our agriculturists, we shall not hesitate to suggest the raising of a tariff wall against such goods to protect the interests of the teeming millions. But on the other hand if the imported article is to compete with such highly developed manufactures as cloth and yarn, we should be failing in our duty to the consumers, if we do not advise the State to impose a countervailing excise duty with the object of ensuring a fair field, which is bound to lower the price of the commodity.

4288. *Q.* 7. The answers given above cover this question.

4289. *Q.* 8. No; if the commodity concerned is imported from more than one country and if the margin of the profit to the alien producer is good, as it is in the majority of the imported articles, then the prices will rise only to a small extent of the duty imposed. Rather than withholding their products the manufacturer will try lest they may lose the market altogether to cut their prices and thus bear a portion of the duty. They will further attempt when hard-pressed to secure economy and efficiency in the process of manufacture which is likely to wipe out a portion of the duty. A portion may be borne by those who would prefer working at a smaller profit. The effect of a portion will be neutralised by the same foreign producer who will endeavour to revise his method of selling to India and who would jealously drop out all the superfluous intermediaries who of late have grown up like parasites on the Indian trade. Further the rise in the price which is bound to accompany any kind of tariff and which is to ultimately fall on the shoulders of the consumer, we venture to submit, will be more than counterbalanced by the stimulus that it will give to the growing industries of the country. The absorption of millions of men in industry and the increase of employment secured thereby in auxiliary occupations will be a real advantage to the agriculturist.

4290. *Q.* 9. We have already made our position clear that the tariff should be framed for fostering such Indian industries which in the course of a few years will be able to hold their own without any artificial props.

As regards the gain to the national wealth that is to follow such a policy, we might say in a few words that we attach higher value to the future development especially in the direction in which we possess all the natural advantages and other facilities in contrast to the present illusory benefit. Besides, owing to the absence of the diversity of industry, 90 per cent. of the population engage themselves in agriculture. On account of the vagaries of the rainfall when the crops fail, hordes of the teeming millions fall an easy victim to pestilence and famine. The multiplicity of occupation and husbanding of national resources will be the best insurance against occasional famines.

4291. *Q.* 10. No; mineral oil, chemicals, finer cotton fabrics that are spun and woven out of Egyptian and American cotton, dyes and colours, glassware, machinery.

4292. *Q.* 11. On some.

4293. *Q.* 12. Paper, sugar, matches and thymol.

We should select only those industries, for the protective tariff, which would ultimately be able to stand on their own legs and the development of which are justified by considerations such as raw material, proximity of the market, labour.

4294. *Q.* 13. We do not recommend the establishment of such industries which cannot continue to flourish without Protection for all times to come.

4295. *Q.* 14. We should confine Protection to industries which are likely after a period to be able to face foreign competition without such assistance.

4296. *Q.* 15. We should grant special protection against foreign goods favoured by such measures as dumping, bounties, subsidies or transport concessions. We should also protect the interests of our industries against such countries as Germany whose export trade these days is in a position of vantage on account of their depreciated currency.

To ascertain the exact facts connected with our imports, we shall have to bring into existence an efficient Commercial Consular Service. We should look to our Consul for necessary help and guidance in this direction. Besides we would suggest the establishment of a Tariff Board to advise the Government in such fiscal matters. One of the chief duties of the Tariff Board would be the study and compilation of statistics in relation to the Tariff. To protect industries from dumping by exchange manipulation, some sort of super-custom duties will have to be devised. We realise that it will be a complicated process by which the Government statisticians will have to arrive at their percentages in their schedule, but at the same time it will have to be done to face an abnormal contingency. We believe that our custom exports will prove equal to the task.

4297. *Q.* 16. We are strongly in favour of encouraging all kinds of hand industries. These cottage industries can easily provide the subsidiary work to the majority of the agriculturists, who for want of a suitable outlet for their superfluous energy waste a good deal of their time, which cannot only be usefully employed in some productive work but which also give them the much-needed relief in the years when the monsoon fails and starvation stares them in the face. From this point of view we welcome the advent of Mr. Gandhi's *charkha* (spinning wheel) and *Kargha* (handloom), not because we are enamoured of it, but because we know that they can be at little expense easily introduced into the remotest corner of the country. According to the reports of Sir P. C. Ray, who was at first opposed to the spinning wheel, its introduction has been a great boon to the famine-stricken people of the Khulna district. The peasants, according to him, in normal years can easily supplement their income at the rate of 2 annas a day for nine months out of the twelve, which are generally idled away. Such an income can easily be built up into a family fund to fall back upon in adverse years. The interests of the handloom industry weigh with us very heavily in suggesting to the Government not to forget this large industry, when the question of cotton excise duty comes before the legislature. In spite of the competition of the mills, its consumption of yarn, even at the present moment, does not compare unfavourably with the consumption of the mills. Besides it is a useful family occupation even in small villages. With the 3½ per cent. excise duty, it enjoys a certain advantage. We venture to submit that advantage at least at any cost must be maintained. Its withdrawal will benefit merely a handful of textile mill-owners who, as we show in the separate note in details, are at the cost of the consumers declaring big dividends and have built a huge Reserve Fund. With the advance of education and the scientific skill it may be desirable to see modern methods oust the old ones in a rapid process of development. Circumstanced as the country is at present, we have no hesitation in saying that the maintenance of the handloom industry is of great importance to the prosperity of the country.

We do not want to minimise the importance of the introduction of other cottage industries, such as are being carried on in Japan, an admirable account of which is given in Prof. Hamilton's book, but knowing the peoples as we do, we dare say that with their present mental outlook, the spinning wheels and handlooms are two such things which they can easily take to. Other cottage industries, such as knitting and hosiery, etc., are bound to follow in the wake of time.

4298. *Q.* 17. There is a danger in India as elsewhere of Protection leading to combination among the protected manufacturer in order to maintain a quasi-monopoly price for their own ends. To face such a contingency, we would levy protective tariff for a limited period, which may be renewed if the industry concerned further stands in need of protection. In our actions, whether protective or otherwise, the foremost consideration that will have the greatest weight with us, will be the greatest good of the greatest number. To achieve this end, we have confidence in the general sense of our Legislatures acting under the advice of the Tariff Board suggested in Question No. 15.

4299. *Q.* 18. A protective policy will certainly be some inducement to foreign industrial firms to establish themselves in India. At the start, if it does not affect our key industries we should welcome such a movement, for, instead of hindering, it will help us in the realization of the goal that we have in view.

4300. *Q.* 19. Conflicts of interests will certainly arise, but we believe our Legislative Assembly in which all classes are adequately represented, will have little or no difficulty in coping with them.

4301. *Q.* 20. If only one country has got the monopoly of the commodity on which import duty is imposed then the whole of it in our opinion is passed on to the consumer. On the other hand, if the competing merchants belong to several nationalities, then the prices rise only to a certain extent of the duty.

4302. *Q.* 21. It depends upon the accompanying circumstances.

4303. *Q.* 22. We should have no objection to accept a temporary increase in price to the Indian consumer for the sake of developing Indian industries, provided their ultimate aim is the increase of the sum-total of the national wealth.

4304. *Q.* 26. In our opinion, in the present state of economic and political development of the country, a tariff which could be used as an instrument for bargaining with other countries would not be of any advantage to India.

4305. *Q.* 29. The Tariff Board that we have suggested in answer to Question No. 15 will investigate the claim of various industries to Protection from time to time and the periodical readjustment of tariff rates.

4306. *Q.* 30. On general principles, we are opposed to the levy of export duty, except in the case where we possess a monopoly of supply of the commodity taxed or such an advantage in its production as to approximate to a monopoly. They should be imposed, if at all, for the purpose of raising revenue.

4307. *Q.* 31. Generally the export duty operates as a restriction to exportation, which is detrimental to the commerce of the country. They can be safely levied on an article, on the supply of which other countries entirely depend on India, such as jute, opium, indigo, myrabolans, mohwa, til, lac, teakwood. To some extent they can also be raised in the following articles, in respect

of which we enjoy a modified monopoly: rice, hides and skins, some oil-seeds and spices.

4308. *Q.* 35. Lord Northbrook, as Viceroy of India, has said that "in all financial questions the true interests of the people of India is the only consideration which the Government has to regard." Judging from this standard, at any rate for the time being we do not favour the idea of Imperial Preference. In the present stage of the Indian industrial resources, such a policy is likely to go against the economic as well as the national interests of the country as a whole.

4309. *Q.* 37. We do anticipate a material loss to India by adopting a policy of Imperial Preference. The only principle which should guide the decision on this issue must be of reciprocity. At present, India's exports are mainly raw produce of the land. In the interest of the agriculturist, he should be allowed to sell in the dearest market and purchase his necessities of life in the cheapest market as far as it is compatible with the national interests.

We realise that merely from the point of view of the Indian consumer, there is little to choose between a protective and a preferential tariff. Therefore all along we have been impressing the necessity of taking pretty good care in giving any kind of protection to an industry. But while a protective tariff in addition to giving the needed revenue to the State, might conceivably assist the growing industries, whose development is likely to counterbalance a little burden on the consumer in other ways, preference would not only raise prices to the consumer, but also bring less returns on the land produce. Considerations like these and especially that it would provoke retaliation led Lord Curzon's Government in 1903 to give an unfavourable decision on the question of Imperial Preference. All the arguments then advanced stand with greater force at the present moments. The proportion of our exports in respect of which we enjoy no monopoly of any kind comes up to about 60 per cent. of the total exports. Thus it is evident that foreign nations do possess some power of retaliation. It is true that this danger is not avoided by adopting a protective instead of preferential tariff. But in protecting any industry, we should be very discriminating and have recourse to it only occasionally. Protective tariff in our policy would be an exception rather than the rule. Besides this much can be said for the kind of Protection that we have recommended that it will not actively discourage exports to foreign countries, which the preference chiefly aims at, that it will not stand in the way of the Indian producers selling their produce in the best market, that it will enlarge the scope for the development of our industries and it will give them the needed protection against the British competition as well. At the same time, it will not raise the price to the consumer by checking the imports from other countries.

4310. *Q.* 40. In our answer to Question No. 37, we have already covered a good deal of ground touched by this question. Connected with the piece-goods trade as we are, we know that if there is not a free competition between the textile fabrics that we import from various countries then the price is raised to the consumer. As we have indicated above, the 11 per cent. duty on cloth we tolerate only for the purpose of the revenue. It can under no circumstances be justified on the score of textile industry. If the State requires to augment its revenue further and the choice lay between the custom duty on imported cloth and the cotton excise duty, in the interest of the consumer we would turn our attention towards the latter. As soon as the public finances allow, we should not fail to revise this duty on this important commodity of universal consumption.

4311. *Q.* 70. We import piece-goods, yarns, sundries, hardware, haberdashery, paper and leonic goods from Great Britain, Continent, America and Japan.

4312. *Q.* 71. Since 1916, the circumstances have been so abnormal and so many cross-currents have been acting and reacting simultaneously that it is difficult to fix the cause at any particular spot. But as a cumulative effect the price has been steadily rising and the import of cloth with the exception of the year 1920-21 has been declining quantitatively.

4313. *Q.* 73. In our experience, *ad valorem* customs duties have been found to work with great inequality and are also inconvenient to levy for the following reasons:—

(1) The difficulty of ascertaining correctly the values of the goods charged with the duty; (2) the opening to fraud; (3) the delay and hindrances caused to importers and others. Our opinion is that *ad valorem* rates are constantly unfair and give rise to necessary friction between the custom staff and the merchants. We would certainly prefer specific duties. They would not only be more equitable but they would also simplify the work of the custom staff. The Tariff Board will look after the readjustment of duties from time to time.

Note on the Piece-goods trade and the development of the textile industry in India.

4314. Cotton spinning and weaving in India date back from the remotest antiquity. Indian cotton fabrics were first transported by the old caravan routes of the Punjab to the marts of Egypt and eastern Europe. A vast trade in the products of Indian hand-looms was for many generations carried on between India and the western countries, a good portion of which went to the United Kingdom. The trade grew in volume and variety, bringing considerable wealth to the Indian weaver. until 1701, after which to stifle this flourishing Indian industry a series of questionable methods were adopted by the British Government and the East India Company, which will ever remain an indelible blot on the fair name of England which, later on confessed its guilt by adopting the policy of free trade advocated by Adam Smith and other orthodox economists. Hargrave's invention of the Spinning Jenny quickly followed by that of the power loom turned the scale altogether. The decline of the Indian hand-loom industry was greatly accelerated by the machine made stuff from Lancashire. Eventually India was converted from an exporting into an importing country and for a long time to come, had to depend on the United Kingdom for the bulk of her piece-goods.

Calcutta claims the honour of having made the first effort at establishing the first cotton mill in India in 1838. It was practically in the city of Bombay in 1853 that the successful establishment of the first cotton factory was witnessed. Thereafter with occasional setbacks for one reason or the other, its progress has been rapid. Necessarily with the growth of the Indian industry the import of yarn from Lancashire fell off. The local yarn was not only able to hold its own in the Indian market but also compete successfully in foreign markets as well, such as China. To gain some advantage, Lancashire after a few unsuccessful attempts, ultimately got the 5 per cent. duty repealed. Notwithstanding this, mills began to multiply in sympathy with the resistless march of progress as is evident from the accompanying statement.

Year.	No. of Mills.	No. of Spindles.	No. of Looms.
1878	53	1,239,000	10,500
1882	65	1,620,000	14,200
1886	95	2,261,000	17,400
1890	137	3,274,000	23,400
1894	142	3,649,000	31,100
1898	185	4,259,000	38,100
1902	192	5,006,000	42,500
1906	217	5,279,000	52,600
1910	263	6,195,000	82,700
1914	271	6,778,000	104,000
1918	262	6,653,000	116,000

It is remarkable that the progress has been steady and continuous. The increase in the number of mills, spindles and the looms during the four years following 1882, the year when the 5 per cent. import duty was repealed, has got a contrast worth being noted with similar increase just before the years preceding that, *i.e.*, from 1878—82. Then again during the years 1890—94, only, five new mills were added; but during the years 1894—98, the mills increased by 43. It is to be remembered the excise duty was levied in 1896. It was certainly unjust

at the moment for various reasons, but whether it continues to be so even now, is what we mean to examine in this note. The figures quoted above show conclusively that the Cotton mill industry, whether labouring under the disadvantage of the excise duty or otherwise, could successfully face all obstacles on account of its inherent strength. The fact that its raw material grows near at hand, the market for its finished product is at its door and that there is little or no danger of the supply of labour falling short, has given it the desired advantage. Besides by bringing about healthy competition, it has been chiefly instrumental in bringing down the price of the dhoty and other cloths, which are largely used by the poor classes. This has been a great relief to the average consumer. But now the danger seems to be the other way. The import duty which was increased in 1917 merely for the purpose of revenue has been the chief factor in bringing about the returns to the share-holders, which are out of all proportion. A detailed account of the financial positions of a dozen typical cotton mills all over the country will bear out the above assertion. A separate statement is herewith attached.

A glance over the accompanying statement in regard to a dozen cotton mills, will show even to a casual observer that the declaration of these big dividends amounting to even 200 per cent. and more and the building up of the huge reserves have followed the imposition of 7½ per cent. duty. Human nature as it is, influential combinations ignoring the interest of the general community, do take the fullest advantage of the situation. It is no wonder if our Mill-magnates could not be an exception to this.

It is well known that when in 1896 the excise duties were imposed, there was a feeling of deep and universal indignation throughout the country and it was caused by four reasons. The first reason was that the cotton industry at the time was still in its infant stage and had not attained to its manhood. The second was that the industry had been hit hard by the then currency legislation of the Government. The third was that the duties were imposed not because the Government of India thought it desirable to impose them in the interest of the country, but because Lancashire dictated them and the Government made no secret that they were not a willing party to that transaction. Lastly, it was believed that the action of Lancashire in having these duties imposed was due not to the fact that there was much competition between Manchester and India but because the English manufacturers, already uneasy at the strides that the mill industry had made in this country, wanted to handicap it in regard to its further progress. It was these reasons that lay behind the extreme irritation and sore feeling caused, when these duties were levied.

For a fair presentation of the whole case, we think it necessary to consider how far the position has been modified and if so, to what extent, in regard to these four circumstances. Taking the first circumstance, we find, that through good report as well as evil, the industry has been doing extraordinarily well and a great move of prosperity has passed over it. The currency question no longer existed now. With the advent of the reforms, the third reason has lost much of its force. It is true that India has not attained its full fiscal autonomy in so many words, nor has probably any of the colonies which constitute the British Commonwealth. But all the same it was made perfectly clear by Mr. Montagu that the Imperial Government should not and would not interfere with any financial legislation, on which the Government of India and the Indian Legislature agree. The attitude of the House of Commons on the last increase of import duty on cotton goods bear testimony to this. The position is strengthened further, if it is remembered that in the Colonies as well, the tradition has given the force of authority. The Colonists, looking primarily to their own interests, tax the imports from United Kingdom in any way they please and the British Government is powerless to do anything, as can be shown from a number of instances. Hence this consideration as well, cannot hold any ground now. Lastly, it is true that Lancashire is naturally jealous of the Indian cotton industry, but now as the circumstances have changed altogether, it is powerless to secure any unfair advantage itself. Thus the position to-day is not the same what it was 25 years ago.

The question must be considered from two points of view; the first is the financial aspect, and the second the larger aspect of the economic policy, including the question what kind of economic policy is good for India? As regards the first aspect, it is necessray to bear in mind that the revenue-duties cannot be subjected to the vigorous canons, either of free trade or of Protection. Almost all authorities are agreed on this. Occasions may arise, when revenue considerations may out-weigh all others. But normally the Custom-Tariff should be so adjusted that, without sacrificing the revenue it may give the required protection only to needy industries, but at the same time due care must be taken that it does not become the cause of an unnecessary burden on the consumer. If due precautions are taken, then instead of being incompatible with the second aspect, it will be a handmaid to it. Holding fast to the free trade as an ultimate goal, we have already given it out as our deliberate opinion that, for the husbanding of the national resources, temporary protection is needed for some industries, whose establishment is justified by natural and other facilities, in order to enable them to stand on their legs. If any protection is given to a fully developed industry, it falls heavily on the consumer. The figures that we have given above, we venture to submit, justify us in coming to the conclusion, that the Indian textile industry is one such industry, which has come to the stage when it does not require any kind of protection whatsoever. In the duties are levied on the piece-goods, for revenue purposes, then they might be done on an equitable basis. The custom and the excise duty should be imposed in such proportions that the interests of the consumer do not suffer.

Names of Mills.	Paid up Capital.	Reserve Fund.	Block out.	Paid up per share.	Market quotation.	Dividend per cent. per year.					
						1913.	1916.	1917.	1918.	1919.	1920.
	Rs.	Rs.	Rs.	Rs.	Rs.						
The Bombay Dyeing .	31,12,000	2,24,63,000	1,59,09,000	250	1,850	16	24	70	83	128	215
The Sholapur . .	8,00,000	1,48,15,000	1,12,20,000	1,000	19,500	30	30	42½	100	150	200
The Swadeshi . .	20,00,000	92,16,000	4,79,000	500	5,100	24	30	58	58	120	120
The Phœnix . . .	8,00,000	41,85,000	37,00,000	100	1,190	..	20	50	90	100	100
The New City Bombay .	6,00,000	17,18,000	14,90,000	100	950	12	12	31	30	100	100
The Kohinoor . .	19,00,000	44,84,000	54,51,000	500	3,740	10	8	39	45	40	120
The Indore Malwa . .	20,00,000	45,20,000	47,00,000	100	775	..	15	45	37½	62½	110
The Central India . .	46,00,000	1,74,00,000 (7,16,000)	1,09,00,000	500	5,100	24	30	56	74	70	160
The Century . . .	18,50,000	93,34,000	87,72,000	100	1,100	14	25	60	68	128	144
The Bowreah . .	6,00,000	53,91,000	29,25,000	100	1,100	10	10	42	60	45	425
The Muir . . .	15,00,000	71,33,000	53,69,000	50	402	8	15	30	40	70	120
The Tinnevelly .	12,00,000	27,11,000	17,22,000	250	750	..	12½	10	20	60	100

Oral evidence of Mr. Hiralal Khanna, M.Sc., Prof. of Mathematics, D. A. V. College, Cawnpore, Delhi, the 12th December 1921.

4315. *President:* You represent the Delhi Piece-goods Association ?

A. Yes.

4316. *Q.* I understand that your advocacy of free trade is merely theoretical, because you say, "We generally favour the policy of free trade, but looking to the stern realities of the facts as they are, we cannot but come to the conclusion that it can no more prevail universally at present than any other noble ideal, for instance the brotherhood of man." From this I gather that you advocate free trade in theory as a very noble principle, but that you do not advocate it in practice.

A. No, at the same time I should add that I will never lose sight of the ultimate goal.

4317. *Q.* The ultimate goal when there is universal free trade ?

A. I should not say universal, but I will try my best to attain to the goal as far as it lies in my power. I believe that for the good of India the greatest freedom should be given to the commerce of the world.

4318. *Q.* And so you think that free trade, as a principle, is very suitable for the whole world ?

A. Yes. I do.

4319. *Q.* And you would still try to have free trade for your country in course of time even when the rest of the world is Protectionist ?

A. Certainly not.

4320. *Q.* Therefore your policy is one of principle. But you think that you cannot apply it in practice to India now ?

A. Yes, in practice it is not possible to apply it now.

4321. *Q.* You say in answer to Question No. 2, "In our opinion the burden of the indirect taxation falls upon the poor more than upon the rich, but at the same time we realise that for an equitable distribution of burden for the needs of the State the two must go hand in hand." Will you please explain that ? Do you think that is so because the indirect tax is collected at the Customs in regard to goods which are more used by the poor ?

A. Yes.

4322. *Q.* Do you think that, excepting those people who have got fixed incomes, direct taxation is borne by the people who pay it or is transferred to other people with whom they come in contact ?

A. Direct taxation is better and as far as I know, it is being taken to more and more throughout the world, as for example in the case of inherited wealth that passes from father to son. Indirect taxation, although it is not keenly felt, really falls upon the shoulders of the poor more.

4323. *Q.* That is on the theory that the exact amount of direct taxation or indirect taxation is transferred to the consumer. There may be variations ?

A. They must follow a certain graded scale.

4324. *Q.* In answer to Question No. 5 you say, "There are some industries such as thymol, sugar and paper for the manufacture of which all kinds of national facilities exist in India and which for some time to come cannot successfully compete with the similar foreign products. Under the existing tariff policy they have greatly suffered." Will you please explain what you mean by that ?

A. There is as you know an import duty on manufactured sugar. Now this duty on sugar was levied for the time being, therefore we cannot count upon it for the required time that we stand in need of it. At the same time I think there is perhaps a rebate to the sugar imported from Mauritius or other countries within the Empire.

4325. *Q.* How much rebate is given on Empire sugar ?

A. Probably two-thirds.

4326. *Q.* There is no rebate on sugar.

A. I am sorry if I have made a mistake.

4327. *Q.* Then you qualify your answer to this extent that the existing tariff policy does give a certain amount of protection to industries but you want direct and adequate protection ?

A. Yes. It should be adjusted according to the circumstances of the industry.

4328. *Q.* At all events these industries have not suffered in consequence of the imposition of tariffs. The industry in India for sugar manufacture has not suffered as you say in consequence of the present tariffs ?

A. The industries have not been encouraged by the present tariffs.

4329 *Q.* Will you please explain the following statement in your deposition. You say, "But on the other hand if the imported article is to compete with such highly developed manufactures as cloth and yarn, we should be failing in our duty to the consumers, if we do not advise the State to impose a countervailing excise duty with the object of ensuring a fair field, which is bound to lower the price of the commodity."

A. I have made myself quite clear in the note that I have attached on the textile industry.

4330. *Q.* This to my mind is not a correct summary of that statement. How do you say that the imposition of a countervailing excise duty will ensure a fair field and is bound to lower the price of the commodity ? These are the two points that I want you to explain.

A. If there is no free competition, the price of cloth manufactured in the country rises. From the figures which were available I have seen that the price of Indian cloth has risen in proportion to the price of the imported cloth. Therefore, whenever the import duty is levied, certainly it reacts upon the price of the cloth manufactured in India also. If there is no corresponding proportionate excise duty, that means our Mill-magnates take advantage of the situation and want to make as much profit as they can out of the people.

4331. *Q.* Let us get at some facts. The import duty on foreign piece-goods to-day is 11 per cent. Taking your argument, the 11 per cent. import duty on manufactured piece-goods regulates the prices in India.

A. Yes.

4332. *Q.* Therefore the price to the consumer is based on the 11 per cent. import duty ?

A. Yes.

4333. *Q.* If the 3½ per cent. excise duty was raised to 7 per cent. according to your suggestion, how will that reduce the price to the consumer, the price being regulated on the basis of the 11 per cent. import duty ?

A. The exporters of cloth from other countries feel that they do not labour under such a disadvantage against Indian manufacture as they would do if the difference between the excise duty and import duty is 7½ per cent. Therefore they will try to cut their profit, and at the same time they may try to remove certain intermediaries and in this way they will be better able to compete successfully with the cloth manufactured in India.

4334. *Q.* Suppose the consumer has got to pay only 8 per cent. or even if you like, we will put it as an extreme case that the consumer has got only to pay 5 per cent. out of the 11 per cent., the 6 per cent. being the reduction which the manufacturer, the middleman and transport people are all able to give to counteract the effects of the 11 per cent. export duty. Therefore the price to the consumer is regulated by 5 per cent. higher against the import duty of 11 per cent. Excise duty is 3½ per cent. Whether Government takes it or not, how does that affect the consumer in regard to his price ?

A. Because there will be greater competition between the manufacturers, Indian as well as foreign.

4335. *Q.* Would not competition be greater if the excise duty of 3½ per cent. is abolished ?

A. I do not think so.

4336. *Q.* In answer to Question No. 9, you say, "Besides owing to the absence of the diversity of industry, 90 per cent. of the population engage themselves in agriculture." In your opinion 90 per cent. of the population engage themselves in agriculture, not because their labour is essential for the purpose of agriculture, but because there is no other occupation in industries for them ?

A. That is the point.

4337. *Q.* And then you think that if you take away 10, 20 or 30 per cent. of this 90 per cent. of the population on to industrial occupations, agriculture will in no way suffer ?

A. If about 50 or 60 per cent. of the total output of labour takes to agriculture and the remainder to other industries, that will be an advantage to the country.

4338. *Q.* In that case agriculture will not suffer for want of adequate labour ?

A. No, as far as my information goes. I have made this point clear in my answer to Question No. 16 in dealing with the hand-loom industry.

4339. *Q.* You further add, "The multiplicity of occupation and husbanding of national resources will be the best insurance against occasional famines," your point being that if only 50 or 60 per cent. of the population is dependent on agriculture and the rest is provided for in industries, the effects of a famine will not be so severe ?

A. That is my point. I would prefer subsidiary industries.

4340. *Q.* We do not want to go into further details, the point is industrial occupation as against agricultural occupation, it may be hand-loom industry or any thing else.

A. That is an important factor because agricultural labour cannot easily be removed from the place of agriculture and at the same time they have got a good deal of spare time which might be usefully employed in subsidiary cottage industries.

4341. *Q.* That is so far as the 50 or 60 per cent. of the population which you consider necessary for agricultural purposes is concerned.

A. No. There was a famine recently in Khulna in Eastern Bengal. Mostly 9 months out of the year are wasted, but at the same time they cannot leave their fields. If they had some subsidiary cottage industry they might attend to that and at the same time look to their agriculture when the season comes.

4342. *Q.* I am afraid we are mixing up two points. You said that 50 or 60 per cent. of the total population would be adequate to meet the needs of agriculture, and that the balance could be utilised for industries ?

A. Yes.

4343. *Q.* The 50 or 60 per cent. whom you want for agricultural pursuits will not be occupied during the whole year on agriculture ?

A. When I said 50 or 60 per cent. I meant that 50 to 60 per cent. must be occupied during the whole year.

4344. *Q.* And therefore for the surplus population you would have power industries ?

A. But the surplus population should not be removed from the fields and therefore industry should be provided in cottages.

4345. *Q.* You have said that 50 to 60 per cent. of the people who are occupied in agriculture are not occupied throughout the year though they must live in the villages ?

A. Yes.

4346. *Q.* As they have got spare time, you advocate certain cottage industries for their benefit ?

A. Yes.

4347. *Q.* But you also say that 90 per cent. which is now engaged in agriculture is not needed ?

A. When I said 50 or 60 per cent. I meant 50 to 60 per cent. of the total work they are capable of doing will suffice. If 30 or 35 per cent. of the population engaged on agriculture were removed, then agricuture would certainly suffer.

4348. *Q.* That is the question that I have been asking from the very first. If you think that the entire population which is now occupied in agriculture is needed for the purposes of agriculture and that you should only provide cottage industries to occupy them during the period they are not directly engaged in agriculture, where will you get labour for the particular industries that you want to develop in India, which you advocate in this paper ?

A. A certain percentage, 5 or 10 is available from agriculture also. I think that will be more than enough for developing our industry. At the same time if we pay due regard to the encouragement of cottage industry also in addition to 5 or 10 per cent. which will be available for power industries from agriculture, I think that will be good enough all round.

4349. *Q.* So that you think that there is some surplus which could be drawn upon without injury in any way to agricultural industry ?

A. Yes. That is my opinion.

4350. *Q.* And that they will be taken away from the fields and employed in power industries ?

A. Yes.

4351. *Q.* Cottage industries should be provided for those who are obliged to remain on the fields for the purposes of agriculture ?

A. Yes.

4352. *Q.* Then you said you were going to say something about the paper industry. Will you please explain what you intended saying ?

A. Paper at present is mostly exported from Norway and Sweden and I think we have got sufficient natural resources for pulp that is required for the paper industry out of the forests of the Himalayas and Burma. These raw materials are here and the market is at our door but there is the highly skilled industry of Norway and other artificial props that are being given to the Norway industry in the way of transport concessions (and previously I think bounties were also given). Against this if a certain protection is given to our paper industry, always bearing in mind that a particular industry should only be protected so long as it is not able to stand on its own legs for free competition, and if our paper industry is developed, to a number of people at least it will be a great advantage. Therefore I will not hesitate to levy a certain duty on the paper imported from such countries, which is being pushed forward by artificial means.

4353. *Q.* Have you anything special to say about thymol ?

A. The seed was exported from our country before the war. It was mostly exported to Germany, and on account of the bounties and the highly skilled labour and the bye-products that the Germans could easily take to, our thymol industry was not in a position to compete successfully. Now there is a factory at Dehra Dun. But on account of the lack of skill in taking to bye-products, even now they will not be able to hold their own against German imports. But if, as I was told, in 10 or 15 years they are able to sell their products in the market and if their labour is trained, then they hope they will be able to sell their goods at a cheaper rate, and then the thymol industry will not stand in need of Protection.

4354. *Q.* That is to say you would exercise discretion and discrimination in regulating the tariff policy of Government with a view to find industries in India which can be successfully established ?

A. Yes.

4355. *Q.* In answer to Question No. 78, you say "In our experience, *ad valorem* customs duties have been found to work with great inequality and are also inconvenient to levy for the following reasons." Then you add, "we would certainly prefer specific duties." Will you please explain what you mean by that ? That is to say do you prefer fixed duties on quantities irrespective of the value and the difference in quality ?

A. On a certain principle there ought to be a fixed duty. We might adopt the invoice system.

4356. *Q.* What do you consider the best alternative to the present system ?

A. I certainly prefer a duty on value.

4357. *Q.* There is the *ad valorem* duty at present ?

A. But not according to the invoice system.

4358. *Q.* Invoice might be manipulated. What protection would you give to the State ?

A. I am not fully aware of the intricacies of Customs. *Ad valorem* duties were prevalent in all the civilised countries of the world. But now they are not adhering to it anywhere. Now throughout the British Empire practically at least in the United Kingdom, they do not exist. According to Carnot, a mathematician, *ad valorem* duties increase the cost of production, and Mill, in his Political Economy, is also of the same opinion.

4359. *Q.* I should like to get a little information as regards your practical experience. You represent a very important trading interest and as you know there is now on piece-goods an *ad valorem* duty of 11 per cent. Would you recommend, as a trader and as representing import traders, an alternative to the present system ?

A. I will certainly condemn the *ad valorem* duties as they are at present. It is very difficult to correctly find out the values prevailing in the market when the goods arrive. At the same time I have heard (though I do not know it myself) that there is room for fraud also.

4360. *Q.* We know about the difficulties. I want you to give us some constructive suggestion. I want to know what would be your alternative ?

A. Not knowing the intricacies I will prefer the duty on the invoice, or yardage.

4361. *Q.* In spite of the risk of manipulation of invoices ?

A. I do not know much about it.

4362. *Q.* Have you any specific suggestions to make ?

A. I will leave it to the customs authorities to find an alternative.

4363. *Sir Maneckjee Dadabhoy.* You have been asked by your Association to give evidence before this Commission and you have stated in your oral statement that you represent the views of your Association ?

A. The views represent those of the Piece-goods Association as well as my individual views.

4364. *Q.* Your Association has been largely interested in the import of piece-goods ?

A. Yes.

4365. *Q.* You get these piece-goods from Great Britain, the Continent, America and Japan ?

A. Yes.

4366. *Q.* Will you kindly give us some rough idea as to how many crores of rupees worth of foreign piece-goods you imported in the province of Delhi before the war ?

A. Between two and three crores.

4367. *Q.* Since 1916, you have lost all that practically ?

A. No.

4368. *Q.* How much do you import now ?

A. The figures are not with me. But I may tell you roughly. As far as I see, we have not lost anything in value, but we have certainly lost a good deal in quantity.

4369. *Q.* You know as a matter of fact that your imports have considerably fallen ?

A. Yes, quantitatively.

4370. *Q.* And your Association has been hard hit by these unfortunate circumstances ?

A. Certainly.

4371. *Q.* Does your Association import Bombay mill cloth ?

A. Some individual members might be importing.

4372. *Q.* You are only interested in foreign piece-goods ?

A. Yes, chiefly.

4373. *Q.* I gather from your evidence that your Association does not approve of the 11 per cent. import duty on cloth. You said it was only for the purpose of revenue that they approved ?

A. Yes.

4374. *Q.* Then your Association feels that this 11 per cent. duty has caused this fall in your trade ?

A. To a great extent.

4375. *Q.* Do you know when this 11 per cent. duty was put on ?

A. Last March.

4376. *Q.* Have you had time to feel the effects of the increased duty by this time ?

A. We have already felt the effect of the 7½ per cent. duty in 1919. Having experienced the adverse effect of the 7½ per cent. duty it is easy for us to conclude the result of this 11 per cent. duty.

4377. *Q.* Do you think that this 11 per cent. has given an impetus to the mill industry of the country ?

A. Certainly.

4378. *Q.* As an Indian would you prefer the prosperity of your own country or the prosperity of other nations ?

A. Certainly of my own country in my own way.

4379. *Q.* Will you kindly explain that ?

A. My opinion is that there must be freedom of trade. The point is this, that in the interest of the country no one industry should have an undue advantage over others and that the greatest freedom must be given to the trade as a whole, and I would protect an industry only so long as it is not able to stand on its own legs. From the figures I have stated my Association has come to the conclusion that the textile industry has come to a stage when in the interest of the country and the vast majority of consumers it does not stand in need of further protection whatsoever.

4380. *Q.* You say that this 11 per cent. duty has put much profit in the pockets of all mill-owners ?

A. Yes, to the detriment of the large majority of the consumers.

4381. *Q.* Are you not aware that owing to the war and after-effects of the war foreign goods are coming to India at a high price ?

A. I am.

4382. *Q.* And you are also aware that on account of these high prices of foreign goods the Indian mill-owners got their commodities at a higher price.

A. Yes.

4383. *Q.* You also know that the cost of labour and materials has increased in Europe and foreign countries ?

A. Yes.

4384. *Q.* And therefore they cannot afford to send goods at the pre-war rates to India ?

A. No.

4385. *Q.* And therefore our prices in India have risen on a level with English prices ?

A. I should think so.

4386. *Q.* Then, is it not a legitimate profit for the Indian mill-owners to make ?

A. That is the chief reason why I condemn the 11 per cent. duty, that Indian mill-owners have been keeping their prices according to the prices of English cloth. In grey imported cloth between 1913-14 and 1919-20 prices have risen by 153 per cent. and Indian cloth by about 145 per cent. They are keeping almost to the level of imported cloth. Some of the mills have already increased their reserve fund to a high pitch as the figures given in the supplementary note demonstrate. All these high dividends, etc., which they have been declaring forced upon me the conclusion that all that comes out of the pockets of the consumers.

4387. *Q.* I understand your argument, but I have shown you that the price of English manufactures since the war has enormously increased and this you have admitted. You have also laboured at length that foreign cloth is sent out to India at a higher price and sold in this country and therefore the Indian mill-owners take advantage in selling their stuffs at a high rate ?

A. The price of English manufactures has risen—I accept that.

4388. *Q.* Your ground is very strong. I ask you whether taking off this duty of 11 per cent. will not affect our Indian prices. Will it not affect in any way the profits of the mill-owners ?

A. It will reduce their profits to a certain extent and that will be advantageous to the consumer.

4389. *Q.* You spoke about too much profit of the mill-owners in India ? Don't you think there has been an awakening of a new consciousness in India to start *swadeshi* industries and that the people desire to go in for indigeneous things rather than for foreign things ?

A. To some extent.

4390. *Q.* But if the price of imported cloth were to some extent lowered Indian manufacturers must be forced to lower their price also ? You admit that ?

A. Yes.

4391. *Q.* In not keeping these prices, this great mill industry would be affected ?

A. Yes.

4392. *Q.* Don't you feel there is in England a tendency now for the price of labour to fall ? When this consummation is attained in England foreign cloth will be imported into India at considerably reduced prices and Indian prices also in sympathy will fall ?

A. Yes. The margin of profit to the Indian mill owners will decrease.

4393. *Q.* Your objection is only to the large profits that the Indian mill-owners at present are making and to the great burden that falls on the consumer ?

A. Yes.

4394. *Q.* From your whole note I find you really recommend the retention of the excise duty ?

A. I am in favour of not only maintaining it but also increasing it with the sole object of bringing in needed revenue and of encouraging the hand-loom industry in the country.

4395. *Q.* So you not only recommend an excise duty but also an increase in the excise duty ? Can you point out to me a single country in the world where a countervailing excise duty has been imposed ?

A. I am not aware of any.

4396. *Q.* About this hand-loom industry. Do you think that the 3½ per cent. duty will afford protection to the hand-loom industry ?

A. Yes.

4397. *Q.* What counts are generally woven in the province of Delhi ?

A. 10's to 40's.

4398. *Q.* Are not the finer counts generally woven by the hand-loom weavers ?

A. No, I am not sure of that.

4399. *Q.* I know that the finer counts are woven by the hand-loom weavers in Bengal, Burma, Central Provinces and United Provinces. Do you really think that this hand-loom industry is in conflict with the power loom industry ?

A. Yes.

4400. *Q.* In spite of this conflict the hand-loom industry has maintained its existence and in fact it is growing enormously though there are 300 mills in India ?

A. My opinion is that it is not growing. There was a recent pronouncement on the subject at the Patna Exhibition by Mr. Fakruddin.

4401. *Mr. Mant.*—How many members are there in your Association, Mr. Hiralal ?

A. About ninety.

4402. *Q.* I would like to ask you only one or two questions regarding the effect of the excise duty. You have given us rather an interesting view when you say that the excise duty is likely to counteract the effect of the import duty and to lower the prices to the consumer. I understand your view is that if you have a high import duty without an effective excise duty it keeps out foreign cloth and that therefore the internal manufacturers will raise their prices up to the level of foreign cloth ?

A. Yes, near about it.

4403. *Q.* You hold that if an effective excise duty is put on it will enable foreign manufacturers to come into the market again, that there will be greater competition and in that way the price of the product would be reduced to the consumer ?

A. Yes.

4404. *Q.* Another minor point in regard to specific duties. I think you are using the term in a different sense. You said you wanted the duty based on invoice value. When you talk about invoice value I think you really mean a different method of calculating the *ad valorem* duty. I think you suffer from a falling exchange owing to the difference in value at the time when the goods were ordered and the time when they arrived here.

A. Our impression is that they are not valued properly and are generally done in a haphazard way by the Customs appraisers.

4405. *Q.* Coming to the general question, I understand from your note that you really intend to apply Protection to a small number of cases ?

A. Only to those industries for which there are natural facilities in the country and which for one reason or another cannot successfully compete for some time to come.

4406. *Q.* You say in your answer to Question No. 37 that " Protective tariff in our policy would be an exception rather than the rule." What I want to know is how would you select these industries for Protection ?

A. I have suggested the establishment of a Tariff Board.

4407. *Q.* How can the Tariff Board say that an industry should be protected ? Take for instance, sugar. The Sugar Committee has recently examined the subject and that Committee did not come to the conclusion that a protective duty would materially advance the manufacture of sugar.

A. My impression is that this question was beyond their province. In course of time however such industries would be able to stand on their own legs.

4408. *Q.* You are only going to put on a duty as long as the industry requires it ? Don't you think it would be very difficult to take it off again ?

A. That is true, but I expect our Legislature and the Tariff Board will be equal to the task.

4409. *Q.* In answer to Question No. 10 you refer to the articles for which you have to depend on other countries. You mention glassware. We were told in the Punjab that glass could be manufactured effectively in this country if adequately protected ?

A. I do not think it could be manufactured in competition with jena glass and other kinds of glass coming from Belgium. A good part of the glass comes from Austria.

4410. *Q.* You want thymol to be protected ?

A. Yes. It is used mostly for medicinal purposes. Germany has got an advantage in this product.

4411. *Q.* Do you want to protect the hand-loom industry against the Bombay mills ?

A. Yes, against the power loom. For those who have to live in the villages some cottage industry is absolutely essential.

4412. *Q.* If you pursue that principle you come to a large question. You knock out the question of industrial development of the country altogether. It looks as if you want to keep the country in a state of cottage industry and not manufacturing ?

A. My answers taken as a whole make me clear. With the advance of scientific education modern methods will certainly oust the old ones. Take the facts as they are. My countrymen very much lag behind in education and scientific skill. Some employment for the time being must be provided for them somehow or other in some subsidiary industries.

4413. *Q.* You want to keep back manufacture for a while ?

A. No, but to meet the present needs special attention should be paid to cottage industries.

4414. *Mr. Rhodes.*—In answer to the President you said you contemplated 10 per cent. of the present agricultural population being diverted to the industrial centres to work on power looms and that the remaining 90 per cent. should be employed partly in agricultural and partly in cottage industries ?

A. Yes, out of the 90 per cent., 10 per cent. to other industries.

4415. *Q.* What class of men drifts to the large manufacturing centres ? The better workmen or the poorer ?

A. People drift to industrial centres from their villages according to sentiment. Some do not like to leave their villages at all ; others that are more enterprising or have not sufficient employment in their villages go to towns to seek employment.

4416. *Q.* It is very important that India should feed herself. If you have 10 per cent. of the people going to industrial centres for work are you certain that the remainder will be able to raise a sufficient supply of food for the people of India ?

A. I should think so.

4417. *Q.* That I understand would be in normal years ?

A. Yes.

4418. *Q.* You mentioned paper as an industry that could be helped by Protection ?

A. Yes.

4419. *Q.* Supposing it is granted Protection for five years, do you think at the end of that time it could stand by itself if in the meantime the price of paper is raised by 5 per cent ?

A. Probably.

4420. *Q.* If the paper industry cannot support itself what attitude would you suggest that Government or the Tariff Board should adopt ?

A. When Protection is given for a limited period the industry cannot look to this artificial help for all time to come and therefore they would have to adjust themselves so as to come up to the required standard in 5 years or so.

4421. *Q.* Would you let the industry close down ?

A. Yes, if it cannot face a free market for all time to come.

4422. *Q.* You buy your goods direct from Lancashire ?

A. Yes, mostly.

4423. *Q.* They come chiefly through Bombay ?

A. Through Karachi and Calcutta also.

4424. *Q.* Suppose you purchase goods worth Rs. 100. For that you will have to pay Rs. 111 on account of the 11 per cent. duty. When the goods arrive suppose the value was doubled. Then you will have to pay Rs. 22 duty. Do you not find this an inconvenience in your trade ? Do you not find that when there is a change of price there is a profit or loss in consequence ?

A. That will depend upon the circumstances prevailing at the time.

4425. *Q.* Have you sold goods before they arrive ?

A. We have.

4426. *Q.* Then when the price is doubled you will have to pay Rs. 22, *i.e.*, Rs. 11 more. Are you not a loser ?

A. The purchaser will lose certainly to that extent.

4427. *Q.* You sell at the English price ?

A. Yes, generally.

4428. *Q.* Do you favour the system of tariff valuations on piece-goods ? Do you understand what tariff valuations are ?

A. I do not follow exactly.

4429 *Q.* At the beginning of the year Government lays down that so much shall be the duty according to the market value prevailing then, and during the remainder of the year, whatever the market rate, the duty is charged at 11 per cent. on the original market value. You would then know exactly what you will have to pay for the 12 months of the year.

A. Certainly I would prefer that to *ad valorem* duties.

4430. *Mr. Seshagiri Ayyer.*—You know that the competition between Lancashire and Bombay is only with regard to the finer cloths.

A. In lower counts also.

4431. *Q.* As regards the higher counts of cloth there is no competition between Lancashire and Bombay ?

A. Not very much.

4432. *Q.* You would not give a protective duty so far as the finer counts are concerned, so that the industry may be encouraged in India ?

A. I have already said that I do not expect my country to be ever self-sufficient, nor would I like that, because as far as the finer counts are concerned, if the industry, by its own efforts, is able to hold its own, it is good ; but for the sake of the finer counts, I will never recommend any Protection whatsoever, for we have to import cotton for the finer counts from Egypt and from America. We must consider the question in all its bearings, and not merely from the textile industries point of view.

4433. *Q.* You favour development in this country in regard to the finer cloths ?

A. But I will not go out of my way in helping it.

4434. *Q.* You would to a certain extent impose a duty which will enable the manufacturers of this country to develop this side of the cotton industry ?

A. I would not advocate that.

4435. *Q.* Why ?

A. If by its own efforts the industry can develop in that direction I would welcome it. At the same time if we protect an industry for which we have not got the natural advantages in this country, I think the consumer's interest will certainly suffer.

4436. *Q.* I know that you are an out and out free trader. But you are in favour of developing certain industries in this country by means of protective duties ?

A. Yes, certainly.

4437. *Q.* If this is your attitude, you should see that the manufacture of the finer cloths in this country is encouraged by Protection ?

A. I will not include the manufacture of finer cloths among the industries that I would protect.

4438. *Q.* Why not ?

A. Because we have not got the natural facilities for their manufacture.

4439. *Q.* That is the very reason why you must impose an import duty so that the natural disadvantages may be counterbalanced.

A. If we follow this principle we can advocate the Protection of any industry whatsoever.

4440. *Q.* If I follow your principle we can abolish all protective duties altogether. But certainly we should have protective duties so far as those duties would encourage the development of certain industries in this country. I tell you that so far as the finer cloths are concerned, it is an industry which is wanting in this country. I ask you whether you would favour some protective duty in order to encourage the Indian manufacturer to develop that side of the cotton industry ?

A. I think I have made myself clear that I will encourage those industries for which we have got natural advantages and other facilities. In this case we have not got the natural advantages. If long-staple cotton is grown in Sind, then I will be ready to encourage this industry. But as the matter stands at present, I will not go out of my way to encourage that industry.

4441. *Q.* In answer to Sir Maneckjee Dadabhoy you said that the English cloths had gone up in price by 153 per cent. and the Indian cloth by 145 per cent. May I understand you to mean that the Indian mill-owner will adjust his price and will be able to sell cheaply ?

A. Rather it is just the other way.

4442. *Q.* What is the other way ?

A. What I mean is that the imposition of this duty has compelled the foreign manufacturer to sell his cloth dearer and as a result of that the Indian manufacturer has raised his price to that extent or near about that.

4443. *Q.* Is it not the converse way, that if the Indian manufacturer reduces his price the English manufacturer would be compelled to send his goods into this country at a lower price ?

A. Yes. If he is in a position to do that.

4444. *Q.* That I understand to be the natural sequence of your argument, namely, the mill-owner would reduce his price to the level of that of the English manufacturer, and he would be compelled to reduce his price, and the consumer would in the long run benefit thereby. Is that what you aim at ?

A. One will follow the other if the cost of production can stand it.

4445. *Q.* Have you got any figures showing the rise of prices with regard to the handloom industry ?

A. No.

4446. *Q.* I believe the price has risen by 200 per cent. I am speaking from my experience of Madras. There the price has risen as high as 200 per cent.?

A. It might be.

4447. *Q.* Do you think that under those circumstances any protection by means of countervailing excise duties is necessary ?

A. I welcome the imposition of countervailing excise duties, because it brings in the needed revenue to the State and at the same time it affords opportunities for better competition. Over and above that it is a help to the handloom industry. But that is a secondary reason.

4448. *Q.* You know that originally the excise duty was levied for the purpose of benefiting Lancashire ?

A. Yes. In 1896 it was so levied.

4449. *Q.* To a certain extent it reduced the profits which might be earned by the Indian mill-owners ?

A. But all the same the textile industry did not suffer in any way.

4450. *Q.* As regards the depletion of agricultural labour it is my experience in Madras that a large number of people go to foreign countries, Ceylon and other places, because there is scarcity of employment so far as agriculture is concerned. Therefore by the establishment of industries the agricultural industry would not in any way suffer for want of labour ?

A. No.

4451. *Q.* You say customs duties should be imposed "first on such imports which under the shelter of bounties or some other artificial stimulus are doing an injury to our growing industries and when such a list has been exhausted then the attention should be directed towards other commodities." Can you give some examples ?

A. Bounty-fed sugar.

4452. *Q.* It is said that there is not as much sweetness in our sugar as there is in the foreign sugars. Do you agree with that ?

A. My experience is just the other way.

4453. *Q.* It has been suggested very definitely in Karachi, and you say from your experience that it is just the other way ?

A. Sugar manufactured in the United Provinces is, I think, sweeter.

4454. *Q.* They say that it is so coarse that the higher class people do not take it, and that it is not well cleaned.

A. No. The Cawnpore Sugar Works and the Champaran Sugar Works are producing as good sugar as the imported.

4455. *Q.* So you think that the sugar produced in this country is fine sugar and is as good in quality as the sugar which we get from elsewhere ?

A. Yes.

4456. *Q.* From your answer to Question 31 you seem to be of the emphatic opinion that there should be no export duty upon food grains ?

A. I am generally opposed to any export duty.

4457. *Q.* You know that this country is periodically visited by famines and it is desirable to conserve certain foodgrains in this country ?

A. Under such a contingency I would recommend to the Government to stop export of foodstuffs altogether rather than have recourse to any export duty. That will, in my opinion, be injurious to the producer.

4458. *Q.* Don't you think the reservation for a number of years of food grains in this country would have a much more beneficial effect than prohibition for a short period ?

A. If you once start I do not know where you will end. The result of the duty will be that the cultivator will not get a sufficient return on his produce and it is likely that he may take to the cultivation of other things, such as cotton. So far as my information goes in East Bengal people have taken to jute. Therefore this factor is also to be taken into consideration.

4459. *Q.* But there are grains which can only be cultivated on certain lands. Moreover, year after year, in consequence of irrigation projects, large tracts of land are being added to agriculture. Under these circumstances there is no reason for being afraid that there will not be enough food in the country ?

A. In such a case, I think an export duty is not desirable even for the sake of revenue. It must be levied only on those stuffs of which we have got a monopoly.

4460. *Mr. Coyajee*: You think that this 11 per cent. duty has greatly restricted the scope of the foreign trade ?

A. Yes, particularly that of piece-goods.

4461. *Q.* Here are some figures which I am putting to you. Perhaps you may throw some light on these matters, which *primâ facie* do not support your view. Taking the seven months, April 1st to 31st October 1920 and 1921, the imports of white (bleached) were 279 million yards in 1920 and 136 million yards this year. So also in the case of coloured, printed or dyed goods the imports in 1920 were 301 million yards as against 75 million yards this year. In the case of grey unbleached goods they were 344 million yards in 1920 and 383 million yards in 1921. This is one thing which perhaps you will explain. Another thing is this. Comparing October 1920 and October 1921, this year's imports are much in excess in one branch. Taking unbleached goods there were 38 million yards in 1920 and 65 million yards this year. What is your explanation about the grey unbleached goods under imports increasing after the 11 per cent. duty was put on ? Is there any special factor affecting it ?

A. I am sorry I am not in a position to answer this point. I know that during the years 1920 and 1921 when these goods were ordered, the exchange was a very great factor.

4462. *Q.* Do you think after April 1921 the exchange has been such a great factor ?

A. Probably these goods were ordered during the period when exchange was high. We are not out of it even now.

4463. *Q.* Another thing for which I would like to have an explanation from you is how far this increase of duty can explain the very large profits of our Indian cotton mills ? How far can you attribute these profits to this increase ?

A. To explain myself I will take a concrete case. Take the case of a mill. The mill people have got an advantage of 7½ per cent. over the imported cloth. If they double their output, then they have got an advantage of 15 per cent. That will swell their dividends very much. If it were not the case how is it possible for all the well established mills to declare all of a sudden such big dividends ? It must be due to a great extent to this artificial advantage that they are gaining over the foreign manufacturers.

4464. *Q.* How do you think it possible to declare such big dividends with this advantage of 7½ per cent. in import duty ?

A. Perhaps I could not make myself clear. Take the case of a mill which has an output of 2 crores, and out of this 2 crores they will get an advantage of 14 to 15 lakhs. If their total capital is 6 or 7 lakhs they will merely because of the duty be making about 200 per cent. which otherwise they would not have made.

4465. *Q.* What proportion of the handloom goods are made from the higher counts of yarns ? What do you think of the competition between handloom and power loom made goods ?

A. I do not know. But my general impression is that there is a fair scope for this competition.

4466. *Q.* Sir Maneckjee Dadabhoy put it to you that a very large quantity of the goods made by handlooms were made out of the higher counts.

A. I am sorry I do not agree with him.

4467. *Q.* What will be your attitude towards the point raised regarding an import duty for the protection of Indian yarn of the higher counts ?

A. I am against that.

4468. *Q.* Why ?

A. In my answer to Mr. Seshagiri Ayyer I said that I will not encourage an industry for which we have not got the natural facilities.

4469. *Q.* In your experience during recent months, has there been a fairly large import of German goods ?

A. I should think so.

4470. *Q.* What is the cause of their arriving at such cheap rates that they give better profits to the importers ?

A. It is probably due to their depreciated currency.

4471. *Q.* I want to know whether that is the cause.

A. I think it is a very important factor.

4472. *Q.* Do you advocate *ad valorem* duties for piece-goods ?

A. I do not prefer *ad valorem* duties. But the point is that I am not in a position to find a substitute. But all the same I condemn the *ad valorem* duties.

4473. *Q.* Do you think that specific duties would be better ?

A. I am not in a position to find out exactly. We are already suffering a good deal owing to this *ad valorem* duty. Our present attitude is that we would prefer anything else to this.

4474. *Q.* Suppose a 2 anna duty is levied on a packet of pencils. The value of the pencils will probably be 2 annas and the import duty will be 2 annas. Will that not be an injustice to inferior qualities under the scheme of specific duties ?

A. Certainly it is likely to be. But my contention is that some better method can certainly be devised as is being done in other countries.

4475. *Sir Montagu Webb*: At the end of your answer to Question No. 2 you say: "The chapter and verse that we have quoted therein conclusively demonstrate that the textile industry of India has come to a stage when it does not stand in need of any artificial props. Any increase of duty on the imported cloth whether it is done for the purposes of revenue or otherwise will mainly fall on the poorest classes." Will you explain to the Commission why it would fall on the poorest classes ?

A. For this reason : if there is not sufficient competition between the imported cloth and the cloth manufactured in India and if as a consequence the price of the Indian cloth rises, that will have to be borne by the poorest classes.

4476. *Q.* I understand your reply to mean that the poorest classes do not use the imported cloth, but the import duty has the effect of raising the price of country-made cloth, and therefore the import duty would fall on the poorest classes who use the country-made cloth ?

A. Because of the imposition of this duty the price of cloth in general will rise in India.

4477. *Q.* That is to say that an import duty on foreign cloth has the effect of raising the price of country-made cloth as well ?

A. Certainly.

4478. *Q.* In your answer to Question No. 37 you say that you anticipate a material loss to India by adopting a policy of Imperial Preference. I want to ask you to explain that because your next sentence is: "The only principle which should guide the decision on this issue must be of reciprocity."

A. I say we are not in a position to reciprocate.

4479. *Q.* If you have reciprocity would you lose ?

A. I will qualify it in one sense. If we have come to that stage when we are in a position to export manufactured articles to the same extent to which we import, then we shall be in a position to reciprocate with other parts of the Empire equitably. Then, under those circumstances, I may not object to going in for Imperial Preference.

4480. *Q.* If you have reciprocity you will not object ?

A. When we have attained that stage, and as far as I know we have not come to that stage.

4481. *Q.* But if you do come to that stage, and you can reciprocate, you will have no objection ?

A. If it is to the advantage of my country.

4482. *Q.* In your answer to Question No. 40 you say : " If the State requires to augment its revenue further and the choice lay between the customs duty on imported cloth and the cotton excise duty, in the interest of the consumer, we would turn our attention towards the latter." Would you explain to the Commission why ?

A. Because this increase of import duty to 11 per cent., in my opinion, is already a burden upon the people, and if for the purposes of revenue further duties are to be imposed, then I would recommend that the additional duties should fall on the cotton goods manufactured in India rather than on the imported cloth, because that is the chief thing from which we can get a good sum for the State.

4483. *Q.* Your answer is that the present import duties are a burden on the people and a further increase of the excise duty would not be a burden on the people ?

A. In the sense that the manufacturer will have merely to reduce the margin of his profit, and that will fall on the manufacturer.

4484. *Mr. Narottam Morarjee* : In your answer to Question No. 2 you say " Under exceptional circumstances they (duties) ought to be increased on the fully-developed industries which can hold their own in the field." What is your criterion of a fully-developed industry ?

A. The industry which can stand the free market.

4485. *Q.* Generally the price of all commodities depend upon supply and demand ?

A. Certainly.

4486. *Q.* Suppose the merchants bought their goods cheap and even Indian mills sold their goods cheap to the merchants, will they not increase their price with reference to supply and demand ?

A. They will certainly raise the price to the level of the price at which the foreign goods are sold.

4487. *Q.* Do you then want the middleman to make the profit ?

A. I do not want anybody to make high profits. I would look to the interests of the consumer. If anybody makes a high profit I would certainly try to reduce it for the consumer.

4488. *Q.* How will you do it ?

A. My suggestions, I think, will lead to that.

4489. *Sir Edgar Holberton* : You have developed this excise theory which is quite new to us. I should like to have it quite clear to my mind. In reply to Sir Montagu Webb you said that you look upon the 11 per cent import duty as a burden upon the people that use the country-made cloth. The burden comes upon the people because when the imported cotton cloth rises in price on account of the 11 per cent. duty, the manufacturers of cotton goods in India raise their price approximately by the same amount.

A. Yes, they do.

4490. *Q.* Now, there are three branches of suppliers of cotton goods in India. There are the handloom people, the foreign manufacturers and the Indian manufacturers. Do the handloom people raise their price ?

A. They do. I understand from Mr. Seshagiri Ayyer that the prices in Madras have risen by 200 per cent.

4491. *Q.* Your view is that the imposition of this 11 per cent. is forcing up the price of cotton goods produced in India ?

A. To the same extent, yes.

4492. *Q.* Do you think that it would be reduced by raising the excise duty ? Your excise duty is at present 3½ per cent. and your import duty is 11 per cent. Now, your position is that you would not have any of these except for revenue purposes ?

A. As far as the textile industry is concerned I will have it only for revenue purposes.

4493. *Q.* Let us grant for a moment that it is necessary to get revenue and that the Finance people cannot find any way of getting it. Would you divide the tax equitably for import and excise ?

A. Exactly.

4494. *Q.* Your suggestion would be to put both of them at 7½ per cent.? I do not want to put any ideas into your mouth. That is the suggestion you are making to the Commission ?

A. Yes.

4495. *President* : You said that you know the adverse effects produced on the import of foreign piece goods by the raising of the duty to 7½ per cent. in 1917. Have you got any statistics to show the effect produced in the quantities and the value of piece goods imported from 1917 to 1921 ?

A. Yes. They are here (Indian Year Book 1921, page 243).

Import of grey goods.

	Million yards.
1916-17	84
1917-18	625
1918-19	583
1919-20	533

I think imports increased in 1920-21, but the figures for that year are not here. That was an abnormal year.

4496. *Q.* You do not think that all the war years were abnormal ?

A. They were not to that extent.

4497. *Q.* You do not think that the war years were all throughout abnormal ?

A. In the year 1920-21 there was a sudden jump. I shall give figures for the other class of goods.

White goods.

	Million yards.
1916-17	590
1917-18	503
1918-19	287
1919-20	322

Coloured goods.

	Million yards.
1916-17	455
1917-18	396
1918-19	227
1919-20	208

4498. *Q.* Have you got the value for these ?

A. They are given only for two years, 1918-19 and 1919-20. Now if in the pre-war period the quantity and value of grey piece-goods is taken to be 100, then in 1918-19, the quantity was 38, and the value was 93 ; in 1919-20 the quantity was 35 and the value was 88.

4499. *Q.* You have given us an indication of the volume of trade and the fluctuations that took place in the value of piecegoods. They rose according to you by 153 per cent. for foreign and 145 per cent. for Indian goods. Do you think that such high prices had any effect in reducing consumption ?

A. They did have a great effect.

4500. *Q.* Therefore, it will be hardly fair to generalise that a rise of duty from 3½ per cent. to 7½ per cent. alone contributed to the reduction in the consumption ? That is not the only factor ?

A. But that is an important factor.

4501. *Q.* There are other factors also which gave rise to the rise in price ?

A. There are a number of factors.

4502. *Q.* Then you referred to 7½ lakhs profit on two crores worth of goods manufactured by an Indian mill with a paid-up-capital of 6 lakhs. Do you know of any mill with a paid-up capital of 6 lakhs which manufactures even at present goods worth 2 crores in one year ?

A. I have not got figures, but from the enquiries made I find that several mills in Bombay Presidency are turning out output worth about two crores.

4503. *Q.* Have you got any particular instance ?

A. Probably Sholapur Mills.

4504. *Mr. Narottam Morarjee* : The capital of the Sholapur Mills is 8 lakhs. We have got 75,000 spindles. We produce about 2 crores worth.

4505. *President* : Only one more question. The profits of Indian mills, you said, were abnormal during these two or three years, and you said that they were making these profits because of the import duties.

A. Not solely but mainly.

4506. *Q.* You gave statistics. Have you got similar statistics for some "well managed"—this is the word you used in regard to the Indian mills—Lancashire Japanese or American mills? Do you know what amount of profit they made during the same period? It would hardly be fair to draw conclusions from the statistics of an industry for one country without taking the statistics for all the countries engaged in the same trade.

A. One wrong cannot justify another.

4507. *Q.* It is not a question of right and wrong. If the trade was in an abnormal condition throughout the world yielding 200, 300 or 500 per cent. profit in Lancashire, Japan and America, then you would not consider the Bombay profits as very exceptional.

A. I must make myself clear. I do not grudge the Bombay profits.

4508. *Q.* I am not talking of grudging. I am talking of facts. We have got to draw conclusions from facts. You cannot specifically draw attention to the profits of an industry situated in India without taking at the same time into consideration the workings and the results of the same industry in other leading countries.

A. But, certainly I will object to anybody taking disproportionate profits from the poor consumer.

4509. *Q.* I quite agree that these are abnormal profits. What I say is that you should examine the condition of the industry in other parts of the world. If Lancashire, Japan and America had not been making the same amount of profit, they would have competed in the Indian market, and the Indian mill-owners would not have made the same profits.

A. Probably.

Witness No. 29.

Mr. V. R. GRAY, Chairman of the Punjab Chamber of Commerce, Delhi.

Written statement dated the 30th November 1921.

4510. *Q.* 1. Free Trade. Custom duties objected to, but if essential for revenue, then tax necessities as little as possible.

4511. *Q.* 2. Indirect taxation would probably be wiser for India; direct taxation is always unpopular and is to a very big extent evaded, especially in a country like India.

4512. *Q.* 3. A reduction on such a necessary article as woven cotton and woollen goods would be welcome, so that the masses could pay less for their clothes.

4513. *Q.* 5. Foreign competition, by the fact of having to ship thousands of miles has a natural tariff. If an industry requires more protection than this, it is useless to its country. It merely means that India's millions have to pay heavily for their goods, so the few manufactures may make profits.

4514. *Q.* 6. Certainly. The only way indirect taxation would be possible.

4515. *Q.* 7. Yes. Free trade policy is to give the masses the opportunity of buying in the cheapest market.

4516. *Q.* 8. Undoubtedly. Outside competition alone keeps prices down. Local industries form rings or combines and keeps prices up. A good example to-day is the Bombay mill industry. Owing to war, increased tariff, etc., foreign goods are only coming in at high prices. The Bombay prices at once respond. Result: the masses have to pay heavily for all cloth goods, whilst Bombay mills are paying unheard of dividends to the few.

4517. *Q.* 9. No.

4518. *Q.* 10. It would be bad for India if she did. A successful country is one that freely imports and exports and the people buy in the cheapest market. In practice a successful country cannot be self-supporting in all things. America's troubles to-day show this.

4519. *Q.* 11—15. I advocate free trade.

4520. *Q.* 16. Only so long as they can successfully compete with machine-made stuff. I cannot advocate, by Protection, making the masses pay more for their cloths to support *any* industry.

4521. *Q.* 17. Undoubtedly. The only protection is foreign competition.

4522. *Q.* 18. If the tariff was high enough, yes, but to have a high enough tariff for this would mean the cost of living would be enormous and lead to all sorts of political troubles.

4523. *Q.* 19. The only fair way is free trade, so all may buy at cheapest rates.

4524. *Q.* 20. Undoubtedly, in every single case. All tariffs are paid by the people of that country.

4525. *Q.* 21. Yes, permanent. Foreign competition is the only leveller of prices.

4526. *Q.* 22. No. To help the few big interests, the millions of India would have to pay more for their goods.

4527. *Q.* 23. If goods are not necessaries Protection is less injurious. Primary. Food and clothes.

4528. *Q.* 24. Yes, but this would be impossible, and even then miss many millions, and in any case raise the cost of living enormously and incidentally cost of production and in the long run make it difficult to ever export manufactured goods, which should be the aim of all industries.

4529. *Q.* 25. As previously stated, would raise cost of living in India without corresponding advantage.

4530. *Q.* 26. If purely used for bargaining purposes, yes, in which case in actual practice would never be enforced, but merely held as a threat. The danger of this departure from free trade is obvious. In England a 33⅓rd per cent. duty was placed on motor cars for war purposes, not as a protection to the motor industry. The result is it has never been repealed and even to-day a reasonable priced car cannot be bought because foreign competition is so handicapped.

4531. *Q.* 27. No, such a tax as proposed in my answer to Q. No. 26 must only be used as a threat and seldom actually enforced, probably never.

4532. *Q.* 28-29. Free trade views.

4533. *Q.* 30. Only for raising revenue.

4534. *Q.* 31. Curtails it. The higher prices can be got for exports, the more profitable such export trade and the natural gradual growth of this particular export trade. And the more a country exports, the better, providing a reasonable amount too is imported.

4535. *Q.* 32. Not except under very exceptional circumstances, such as lack of food.

4536. *Q.* 33. Any restriction on export of foodstuffs or anything tends to reduce production the following year.

4537. *Q.* 34. Threaten perhaps, but no more.

4538. *Q.* 35. Failing free trade, yes, as a link to strengthen the Empire and a countergain to India.

4539. *Q.* 36. No.

4540. *Q.* 37. No, so long as no high tariff exists. If a tariff war begins, yes.

4541. *Q.* 38—42. Strongly against tariffs at all.

4542. *Q.* 70. Piecegoods, cotton, woollen and silk from England, Japan and France. Also pre-war from Germany too.

4543. *Q.* 71. Yes, Lancashire cotton goods, resulting in all cotton goods increasing in price, including Bombay goods.

4544. *Q.* 72. Certainly. Lancashire cotton goods. Even the present duty will put the price beyond the purse of the old consumer and restrict imports. Also raise prices throughout. The Indian mills cannot produce more, so make more profit on what they do produce the result being high prices to the millions of consumers, whilst high profits only to the few shareholders. See dividends of Indian mills the last year or so.

4545. *Q.* 73. (*a*) Some gain to England, and to the amount of the reduction a gain to the Indian consumer of that reduction in price on British *goods and on Indian made goods.*

(*b*) If anything, a slight raising of price throughout India of *all* goods, foreign, British and Indian.

(c) All goods in India, British, foreign and Indian, would cost more to the Indian consumer than in (a), depending on the percentage of foreign goods in question.

4546. *Q.* 74. Prefer to consider the Indian masses and get cheapest goods possible and have (failing no tariffs) the lowest possible tariffs.

4547. *Q.* 75. Depends on conditions and tariffs.

4548. *Q.* 76. No.

4549. *Q.* 77. All articles. The largest concessions given within the Empire.

4550. *Q.* 78. Consider *ad valorem* system easiest and best.

Oral evidence, Delhi, the 12th December 1921.

Mr. Gray made the following statement:—

Although the Chairman of the Chamber of Commerce, I am not giving the Chamber's views on the point. When the matter came to be discussed, we came to the conclusion not to express an opinion at all as a Chamber. We thought, however, that it would be hardly fair to the Commission not to send any evidence, and we have nominated two witnesses, one a free trader and the other a protectionist. Our views are not necessarily the views of the Chamber.

4551. *President.*—I take it, Mr. Gray, that you appear in an individual capacity. Who is the other member?

A. Mr. Shri Ram.

4552. *Q.* You say that you favour free trade?

A. I favour free trade, absolutely.

4553. *Q.* I should like to know whether you favour free trade for India for special reasons or whether you favour free trade as a general policy for every country?

A. I should favour it for every country. I have always been a free trader in England, and as I am now in this country I think it is better for this country.

4554. Your view is that free trade is good for every country?

A. Yes.

4555. *Q.* I wanted to make it perfectly clear that you advocate free trade in India not because there are any local conditions specially concerning India, but as a matter of general policy for every country?

A. I think it would be to the advantage of every country.

4556. *Q.* As regards your answer to Question No. 3, may I know if you can tell us what proportion of the imported cotton piecegoods and woollen piecegoods the masses consume?

A. I could not tell you exactly, but a very enormous amount of the imported Lancashire goods goes to what we call the masses.

4557. *Q.* May I know what your definition of masses is?

A. People like your syces, for instance,— even people as low down as that,—use them. Look at the quantity of goods sent to the country.

4558. *Q.* Is it worn by people in the towns and cities or in the villages?

A. In the villages. The amount of goods sold in Delhi is very small compared to the extent distributed in the whole of the Punjab. It goes right down to the villages.

4559. *Q.* Do you think that the condition of the masses is such that they could afford to buy such high qualities of cloth as they get from Lancashire, especially woollen goods?

A. Woollen goods, no. But cotton goods, yes.

4560. *Q.* As regards your answer to Question No. 5 have you considered the question of the cost of internal transport? You say that the cost of transport over the seas, which all foreign countries have to pay in order to bring their goods into the ports in India, is a great handicap to them and a great protection to the Indian industries. Have you considered the question of inland transport?

A. Inland transport is the same as foreign. In a centre like Delhi, transport from Bombay mills to Delhi is the same as in the case of transport of Lancashire goods coming to Karachi, Bombay or Calcutta. You have still get the same charges here in addition.

4561. *Q.* What percentage of the cost does freight work out to in cotton piecegoods?

A. Two or three per cent.

4562. *Q.* That you think is enough protection already?

A. Two or three per cent. represents the cost both of Indian and British piecegoods in bringing them from Bombay.

4563. *Q.* I was asking about the freight from England to India, be it Bombay or Calcutta. How does that work out? It would be interesting to get the figure.

A. I could get you the figure. I have not got it at present. It will I think certainly be in the neighbourhood of 15 per cent.

4564. *Q.* I think freight was 15 shillings per ton?

A. There is freight, insurance, etc.

4565. *Q.* I was dealing only with freight for the time being.

A. I think it is about 20 shillings or Rs. 15 for 40 c.ft. or 4 bales.

Q. What will be the value of 4 bales?

A. I think it will be £700 as an average.

4566. *Q.* That is to say Rs. 10,000, and then it comes to 1½ per cent?

A. Freight alone is a small item: for the time the goods are on the water, you have to calculate all the charges, stamp duties, landing charges, and other incidental charges as well as interest on money whilst goods are in transit. I should say roughly it comes in the neighbourhood of 12 per cent. from the time the goods are sent from England till their arrival in India. The actual freight alone is a small item in bringing goods to India.

4567. *Q.* It would be very interesting to get the actual figures for the benefit of the Commission.

A. All that is done by the home firms.

4568. *Q.* Your reply to Question 8 is "Undoubtedly. Outside competition alone keeps prices down. Local industries form rings or combines and keep prices up." And you add: "A good example to-day is the Bombay mill industry." Is that an illustration of local industries forming rings or combines?

A. No, it is only to show that when outside competition is taken away the local industries join together and they want to make as much profit as they can. But it will not apply on the present occasion because of the 7½ per cent. duty. There has been an enormous advance in price and in the cost of production at home. We suddenly had an equivalent of a very big tariff put against the home-made goods and you have got the example of how when foreign goods came into this country, with very high prices, immediately the prices at this end responded and rose to just below the Lancashire prices immediately.

4569. *Q.* Don't you think that an important factor in this rise of prices has been the great demand for cotton piecegoods? It has arisen in consequence of the dimunition of supplies during the war period?

A. It was only for a very short period. It is all the other way round now. There was a good deal of gambling.

4570. *Q.* How do you account for such a heavy rise in price? The ordinary procedure is when prices become high, the demand gets less.

A. Yes, but, of course, in the first place there is a good deal of speculation and gambling going on. There has been a good deal of profits made by the mills at home as well as everywhere else. Then again costs were so enormous and wages at home and transport charges and every conceivable thing was very high. Such things did not affect the mills on this side at all.

4571. *Q.* Are you quite sure of that?

A. Not to anything like the same extent.

4572. *Q.* That is a different question. I am afraid the cost of production in Bombay has considerably increased.

A. Not in proportion to what the goods used to sell at and now sell at.

4573. *Q.* I can only say from hearsay that the cost of production has risen from 100 to 150 per cent., excluding the cost of raw materials for the manufacture alone.

A. Raw material from the home point of view went up a good deal more than 150 per cent. It rose from 6 to 40*d.*

4574. *Q.* Prices really depend upon so many different factors that one single factor alone cannot affect them much ?

A. Yes.

4575. *Q.* Can you give any other instances of rings or combines being formed in India ?

A. No. It has not appeared in India. There has been no occasion for it. It is a very big thing in other countries for rings and combines to keep prices at a particular level. The only way by which you can break it is by foreign competition.

4576. *Q.* Do you know that the Bombay mill-owners complained before the war that they were unable to compete with Japan though Japan had to carry cotton from Bombay and bring it back ?

A. The war made the Japanese competition possible owing to the extremely low cost of labour at a certain time, but not now.

4577. *Q.* But during the war period the Indian mill industry was in a very bad way in consequence of Japanese competition ?

A. It will be at times, over and over again. We do not want to protect the mill industry to enable them to compete and make the whole country pay for it.

4578. *Q.* I am not dealing with that aspect at present. The only point that arises out of your answer to Question No. 10, is whether India should not try to export finished articles, manufactured goods instead of raw materials ?

A. Certainly if she can compete with other countries. She does not want Protection for that. She would not be able to export if she has Protection.

4579. *Q.* If she has not Protection, she will not be able to develop and bring to the proper standard a new industry in competition with foreign industries which are competing here ?

A. I am afraid I have no sympathy with these things.

4580. *Q.* It may be argued that there is some opinion in India which feels that it is to the interests of India to have Protection ?

A. May I refer for a few minutes to the home position bearing on the point. During the war there was a big tax put on motor cars. It was 33⅓ per cent. because it was a luxury. They have not yet taken that tax off. The consequence is that we cannot to-day buy an English motor car anywhere near a reasonable price. They say if they take that tax off, the English people cannot compete with American cars. Do you seriously think that if the tax was taken away and if we could buy Ford cars for £100, the English manufacturer would not be forced to sell his car cheaper ? The result of this tax s that we have got to pay a very high price for motor cars.

4581. *Q.* The question would arise whether they can, having regard to the cost of raw material, manufacture, labour, etc. ?

A. They would have to. Do you seriously think they would give up making cars ? Wages must come down at home.

4582. *Q.* We get into a wider question. I will not take you over all that.

A. My opinion is there as to the effects of Protection.

4583. *Q.* With reference to your reply to Question No. 72, I suppose you know that the result of these high prices has been to encourage a large number of people to start new mills and the difficulty has been to get machinery. In spite of that a large number of mills are being constructed and the existing mills are expanding and therefore the high prices will in course of time come down because of the development which the industry secures in consequence.

A. They would come down in any case.

4584. *Q.* They will come down the more, because you will produce more.

A. If you want prices to come down quicker you must let foreign competition come in and foreign goods. The mills will look after themselves.

4585. *Sir Edgar Holberton.*—*Q.* As regards your answer to Question No. 2 would you put much stress on the unpopularity of direct taxation ?

A. I think it is very difficult to collect the tax.

4586. *Q.* In a place like Delhi, do you seriously think it would affect peace and order of the district ?

A. It might do even that; even in a country like England it is very unpopular,

4587. *Q.* But it is paid quite willingly ?

A. The case of the workpeople is very different, they are simply not taxed.

4588. *Q.* You say it is likely to be evaded to a great extent. Don't you think if a better organisation is set up in the country to collect such a tax, it would bring enormous sums of money ?

A. Yes.

4589. *Q.* Do you think that there will be particular difficulty in setting up that organisation ?

A. Yes.

4590. *Q.* In reference to Question No. 10, you would not look upon India becoming independent and self-supporting as in any way an advantage ?

A. No. I think the country must be able to produce what the natural advantage of the country allows it best, and they should get food as cheap as possible and it can only be done by interchange between countries.

4591. *Q.* Is there any country which is self-supporting or self-sufficient ?

A. I know America has got very nearly that position and it is in a very bad way. The exchange is dropping against her. She cannot sell her exports.

4592. *Q.* America's exports are very largely raw materials ?

A. Yes; but she now exports a good deal of manufactured articles.

4593. *Q.* Raw materials are not sufficient ?

A. They do not want to import anything. That is the trouble.

4594. *Q.* Her trouble has arisen, in your opinion, from the fact that she has attempted to do without imports ?

A. Yes.

4595. *Q.* With reference to your answer to Question No. 32, which deals with export duty on raw materials, would you prefer export duty on foodstuffs or total prohibition ?

A. I really think that a duty would be better than prohibition. The reason is that if you shut out exports altogether, India stands a chance of losing her market, and the countries that used to buy from India will go to some other country, whereas if you merely raise the price, it would check exports but it would not stop them.

4596. *Q.* The market is a world market and they will always buy at the cheapest price ? I mean wheat and rice.

A. The countries that require these articles are in the habit of buying from the same people. I think it is better to check it without actually stopping it. If stopping is necessary for a time, it must be stopped. You must keep prices down here.

4597. *Q.* In reference to Imperial Preference, you would be in favour of it as a link to strengthen the Empire and a countergain to India. Could you give us any information as to how India could gain ?

A. By getting reduced tariffs within the Empire.

4598. *Q.* A good many witnesses have as a matter of fact said that India has very little return for the large concessions the other parts of the Empire would get from her, India being such a large importing country. Can you think of any material way in which reciprocity could be arrived at ?

A. I cannot say.

4599. *Q.* As a matter of fact it is very difficult to give any specific instance. Will you please explain your answer to Question No. 37 ?

A. A free trading country as a rule enjoys the lowest tariff.

4600. *Mr. Narottam Morarjee.*—*Q.* Do you consider that Indian workmen are as efficient as European workmen ?

A. No, certainly not.

4601. *Q.* Is not India handicapped by not having up-to-date machinery, and labour-saving devices as they have in Europe ?

A. We are buying up-to-date machinery now.

4602. *Q.* In England and America they are able to produce cheap goods due to mass production ?

A. Yes.

4603. *Q.* Can you introduce that system in India ?

A. You can have mass production here if you will, Lancashire pays much higher wages.

4604. *Q.* Even with higher wages in Lancashire, we do not succeed in competing with it ?

A. If you can succeed in the matter of cloths, you can also succeed in other matters.

4605. *Sir Montagu Webb.*—*Q.* How far do you speak for the Punjab Chamber of Commerce ?

A. I am speaking in my individual capacity.

4606. *Q.* You have not answered Question No. 43. Are you interested in any industry ?

A. The next witness from the Punjab Chamber will answer that point.

4607. *Q.* You only deal in foreign goods ?

A. Yes.

4608. *Q.* In answer to Question No. 70, you say that you are interested in "piecegoods, cotton, woollen and silk from England, Japan and France....." That means all foreign goods ?

A. Yes.

4609. *Q.* Your answer to Question No. 8 is "Undoubtedly. Outside competition alone keeps prices down. Local industries form rings or combines and keep prices up." Which would you prefer, an increase in excise or an increase in import duties for the purpose of raising further revenue ?

A. Increase in excise would not raise prices in the country, as long as it did not exceed the duty. I maintain prices in the country can only be kept down by foreign competition. The excise duty is paid by the manufacturers in India and not by the people who buy the goods.

4610. *Q.* On the subject of preferential trade you were unable to give Sir Edgar Holberton an example in what direction India might perhaps benefit. The argument has been used that Great Britain affords a Navy for the protection of this country. In your opinion will that in itself be a ground for giving preference to British goods from our point of view ?

A. I should think so.

4611. *Q.* Your answer to Question 78. Would you explain to the Commission why you prefer the *ad valorem* type of duty ?

A. I think it would be very difficult to have any other type because of the inequalities of the goods, specially in anything like the piecegoods. Every quality has a different price. Think of the difficulties of classifying such goods, none of which are even quite alike. Headings such as greys (unbleached), whites (bleached), prints, dyed goods, etc., would be insufficient, for under each heading goods vary so in quality and price.

4612. *Q.* I have been told that it would be very difficult. How would you base it ? A witness this morning told us that he considered the customs officials were unable to value piecegoods as they came in and the figures put on by the customs authorities were very unsatisfactory. Don't you think the present system is better ?

A. I don't think the present system is good. I should think the invoice value would be the best and the fairest way.

4613. *Q.* I think when prices went down Government would get a smaller amount from an *ad valorem* duty ?

A. It would be more equitable to all concerned—gain for everybody. It would be more equitable to traders if they paid more duties when goods were more valuable.

4614. *Mr. Coyajee.*—*Q.* Continuing the line of thought suggested by Sir Montagu, don't you think that an appraisement according to the market value would be better ?

A. The difficulty is to appraise it.

4615. *Q.* Coming to your answer to Question No. 26, you propose a tax which can be used as an instrument for bargaining with other countries ? What would that tax be like ? Would it be an occasional duty ?

A. A tax purely and simply so that India would get as low a duty as any other country ; *e.g.*, we should say that if you do not pass our goods on preferential terms we shall levy a heavy duty against something that you are interested in. It would be an occasional duty levied as a threat, but in practice never used.

4616. *Mr. Seshagiri Ayyer.*—*Q.* The masses almost entirely take to the indigenous woollen goods. Ten years ago there was a good deal of English stuff used by the masses in India ; but now they are going in for indigenous goods. Is it not a desirable state of things that the masses should go in for them ?

A. If the country cannot get cheaper goods, certainly.

4617. *Q.* I do not quite follow your answer to Question No. 3, "masses could pay less for their clothes." Could you furnish statistics to bear out your views ?

A. At the present moment as a result of the political atmosphere the masses are in favour of indigenous articles at any price, but normally a reduction in tariff would give them cheaper goods.

4618. *Q.* In answer to Question No. 5 you say that "Foreign competition by the fact of having to ship thousands of miles has a natural tariff." It is said that if you want to get biscuits from Delhi to Madras the price would be heavier than getting them from England. Indian made goods suffer very much in consequence in competition with foreign goods.

A. That is a question of Indian railways and their charges.

4619. *Q.* I want to know how the prices for these foreign piecegoods compare with the price of Indian piecegoods ?

A. Prices vary but Indian goods are inferior in comparison and lower in price.

4620. *Q.* Then take your answer to Question No. 16. I see that you say that the cotton handloom industry should only be maintained as long as the goods can compete successfully with machine-made stuff. Would you not give the handloom industry any protection against the Lancashire or Bombay mills ?

A. It would get protection as I have not advocated any excise duty on the handloom industry. We have got to get revenue from somewhere and piecegoods will always be taxed unless you go to direct taxation. The handloom industry will get protection inasmuch as it will not be required to pay income-tax and also excise duty as machine-made goods.

4621. *Q.* If you increase the import duty in order to protect the handloom industry Government would get revenue without increasing prices ?

A. No, any extra duty must increase prices all round.

4622. *President.*—*Q.* The Commission is dealing here with the question of the countervailing excise duty.

A. It is equivalent to an income-tax.

4623. *Mr. Seshagiri Ayyer. Q.* Why should the cotton industry in India be subjected to more taxes than it is ordinarily in England ?

A. Because you are not charged much income-tax in India. We have got equivalent taxes in England by an enormous income-tax.

4624. *Q.* As regards Question No. 26, you say that a tariff which could be used as an instrument for bargaining with other countries "in actual practice would never be enforced but merely held as a threat." If you have reciprocal duties and if you know that a country is supplying a large quantity of goods to this country you could threaten to subject them to a high duty unless they agreed to allow students from this country to enter their factories to learn trade and industries ? Could you not impose conditions like these ?

A. This is not a question for Governments : it purely concerns individual firms who may or may not like to admit outsiders into their trade secrets. In England they would not allow other men into works from rival concerns to learn the secrets of the trade.

4625. *Q.* Suppose Government as the buyer of the whole output of such factories imposes a condition that it would not make any purchase unless the firms agreed to allow Indians to learn their trade secrets ?

A. It depends on whether the Government work was worth it and be for decision by the firm in question, not the British Government.

4626. *Q.* One more point. I do not quite follow your argument "a link to strengthen the Empire and a counter-gain to India" in answer to Question No. 35. Do you mean to say that it would be advantageous to India to have a preference with the Empire ?

A. I think so certainly from the sentimental point of view.

4627. *Q.* Would you not discriminate between free trade and preference ?

A. I am a free trader and have not thought very much about preference.

4628. *Mr. Rhodes.*—*Q.* You hold the principle that the masses of the people must bear a certain portion of the cost of Government ? Do you hold the view that the only way they can pay is by means of income-tax ?

Is it not expedient to pay direct taxes? You take the view that you will have to tax certain necessities of life?

A. I am not in favour but it seems inevitable. Piecegoods must be one: possibly salt another.

4629. *Q.* In that case you want the Bombay mills to pay the tax? Is it I take it for the sake of carrying out your principle of free trade and not so much as revenue?

A. Yes, it is both because revenue is necessary from that source and a certain duty has to be put on piecegoods and salt.

4630. *Q.* For these you must put an import duty? The mills pay an income-tax. Who in your opinion does pay the excise duty? The mills or the seller?

A. The mills pay the excise duty until the excise duty is equal to the import duty. People of course pay all the duties in a way, but if the import duty is higher than the excise duty the difference goes into the pockets of the mills.

4631. *Q.* What is the actual amount of the excise duty we are discussing? Who pays that—the shareholders of the mills? They pay it out of their extra profits?

A. Yes.

4632. *Q.* Supposing the whole of the import duty and excise duty on piecegoods was equalled and you had still an additional excise duty on, who would pay the excise duty then?

A. The people.

4633. *Q.* How are you going to raise revenue when the import trade goes? The Indian mills naturally want to take the import trade: if they succeed in doing that how are you going to raise the revenue?

A. You still have an excise duty.

4634. *Q.* I want to ask you whether you would prefer *ad valorem* duties to tariff valuations?

A. If the difficulties could be got over I think probably tariff valuations would be better.

4635. *Q.* It will be fixed on the average of the last three years and you will know exactly what it will be for the rest of the year?

A. Would you always be 12 months ahead?

4636. *Q.* Tariff valuations are just being fixed by Government.

A. Our goods are often sold 9 months ahead.

4637. *Q.* The same applies to the present duty. You do not know what duty you are going to pay now?

A. Only roughly.

4638. *Q.* So fluctuations are likely to be fewer under tariff valuations which are fixed on the average of the last three years?

A. Certainly.

4639. *Sir Maneckjee Dadabhoy.*—*Q.* From your written statement and the answers given by you to-day I take it that you are in favour of a policy of free trade for India and that your chief reason for favouring that policy is that India should obtain her goods from the cheapest market. Is it not so?

A. Yes.

4640. *Q.* That is your standpoint in the case, and therefore you recommend that India should remain a free trade country?

A. Yes.

4641. *Q.* But if all the great nations of the world become protectionists, will you still recommend that India should remain a free trade country?

A. Are you talking of England?

4642. *Q.* I am talking of all the nations.

A. Including England?

4643. *Q.* Yes, if you like to put it that way. You stand or fall by England. You say because England is a free trader India must be a free trader. Is that the argument?

A. Because I consider that it is in the best interests of the country.

4644. *Q.* Carrying this to its logical conclusion, if all countries of the world remain protectionists, still India, in your opinion, should remain a free trader?

A. I should be very sorry to see England so. I am not interested in other countries.

4645. *Q.* Are you aware that in 1921 England passed an Act called the Safeguarding of British Industries Act?

A. Yes. It is for the key industries for war purposes.

4646. *Q.* In 1921, three years after the war, England passed that Act to protect certain industries against foreign invasion, and is not that Act protective?

A. They have not carried it out. It is first of all against dumping and secondly for the key industries.

4647. *Q.* I may tell you that the Act has been passed. It is open to be put into operation at any time. On a complaint made by certain traders to Parliament the Treasury would put that Act into operation, and then it would rest with the members of Parliament to set it aside. So England has also obtained of late power to protect her own industries. In spite of all that would you still ask India to remain solely a free trading country?

A. I have said in one of my answers that for bargaining purposes they may have passed such an Act.

4648. *Q.* There is no question of bargaining just now.

A. I think it is. England is not going to enforce that Act at all except for dumping purposes.

4649. *Q.* I take their will by their action.

A. They have not enforced that Act.

4650. *Q.* That is another point that they have not done it. What countries in the world are free trading to your knowledge?

A. None.

4651. *Q.* You know America is protectionist?

A. Yes.

4652. *Q.* You give the instance of motor cars in England on which a 33⅓ per cent. duty was placed during the war for war purposes. They did not repeal that duty?

A. No.

4653. *Q.* They are still continuing that duty now, and you complain that we cannot get a decent car in England for £500 or £600. If that duty was removed we could get an American car?

A. No, we could get an English car cheap.

4654. *Q.* The American car is not allowed to come in?

A. They still do it.

4655. *Q.* England collects 33⅓ per cent. duty, and it works out as a protective duty?

A. Yes.

4656. *Q.* Do you mean to say that you are not in a position to pronounce any definite opinion whether this 11 per cent. duty has raised the price of foreign goods?

A. It has raised the price to the extent of the duty. Practically all the goods that have paid that duty are still unsold owing to the high prices.

4657. *Q.* Foreign goods?

A. Foreign goods lying undisposed, and that is one slight reason of the present crisis.

4658. *Q.* Was it on account of the 11 per cent. duty or was it on account of the sudden fall in exchange that the people who had bargained on the basis of 2*s.* 4*d.* and 2*s.* did not take delivery of these articles?

A. On account of the exchange and the high cost.

4659. *Q.* Not on account of this high duty?

A. No. Not on account of the high duty.

4660. *Q.* Your answer to Question No. 3. Don't you know that a large number of the people of India use the coarser cloth?

A. They do not do it willingly. They do it because it is cheaper.

4661. *Q.* You say that a reduction in that duty would considerably benefit the masses?

A. Yes. It will benefit them in future.

4662. *Q.* Supposing your argument is correct, will it benefit them at present or in the near future?

A. In the near future.

4663. *Q.* How?

A. By getting cheaper goods.

4664. *Q.* If the price of the materials remain high in England?

A. They are coming down rapidly in England.

4665. *Q.* In correspondence with this rapid decline in England, will not the local prices go down too?

A. They will.

4666. Not otherwise?

A. No. They cannot produce sufficient to meet the demand.

4667. *Q.* In your answer to Question No. 5 you say that "Foreign competition, by the fact of having to ship thousands of miles has a natural tariff." In your view it is a sort of protection to the Indian goods?

A. To a certain extent.

4668. *Q.* Are you aware that Germany, Japan and other countries give large subsidies to their shipping companies, and further that they reduce their freights to a considerable extent ?

A. Yes, I believe so.

4669. *Q.* Do you know that in some cases the freight from Europe to India is much less than the freight from the Tata Steel Works to Bombay ?

A. Are you referring to British goods or German goods ?

4670. *Q.* I am talking of Belgian goods. At present the transport charges from Belgium to Bombay are much lower than the transport charges from Tatanagar to Bombay.

A. You should reduce your charges in India. I do not see why the railway charges should not be far less than they are now. I don't see why you should put up the duty to protect your railways.

4671. *Q.* It is an indirect protection to the Indian railways ?

A. Yes.

4672. *Q.* You would expect the Indian railways to reduce their transport charges ?

A. Most decidedly. They must reduce their charges to something within reason. Goods are shipped from Belgium here and the Indian railways cannot take the goods for this short distance to Bombay at a less charge.

4673. *Q.* In your answer to Question No. 8 you say "A good example to-day is the Bombay mill industry. Owing to war, increased tariff, etc., foreign goods are only coming in at high prices." This is a transitional feature only, is it not ?

A. Yes. It is only an example.

4674. *Q.* When the prices go down, do you think that this 11 per cent. duty will much affect the situation ?

A. Only to the extent of the duty.

4675. *Q.* Then you are of opinion, I understand, that the present price of cotton cloth is not in any way affected by the margin of difference between the import duty and the excise duty ?

A. The law of supply and demand makes the rise and fall in prices as a whole. But owing to the excise duty, the enormous prices at home and other things, there was not sufficient supply to meet the demand, and the Indian mills are making more profits on what they produce.

4676. *Q.* In answer to Question No. 10 you say "It would be bad for India if she did. A successful country is one that freely imports and exports and the people buy in the cheapest market." The President asked you a question in that connection and I did not quite understand your reply. I want to prosecute it a little further.

A. If you cannot compete except by protecting an industry in this country you are not going to sell sufficiently cheap and compete outside, and meanwhile, the whole people have got to pay heavily for it.

4677. *Q.* We have got to make a beginning at some time or other ?

A. Yes.

4678. *Q.* And all the countries in Europe which departed from a policy of free trade and adopted Protection had to make similar beginnings and similar sacrifices in the first instance ?

A. I do not think you can do it so easily. By putting on Protection you raise the cost of living. By raising the cost of living you raise the cost of production. It is very difficult to bring the cost of living down, and without the cost of living and the cost of production being low, you cannot compete in the outside market.

4679. *Q.* Will not the wages given by the industry go up ?

A. Wages will go up, but won't the cost of living go up ?

4680. *Q.* Necessarily the wages will go up proportionately.

A. The workmen will in future have a higher rate of wages than they are getting now in order to adjust themselves to the cost of living. But if the wages go up and the cost of living goes up, it would be much more difficult to produce cheap goods.

4681. *Q.* But things will adjust themselves after a little time. I understand that it is difficult, but it is not an insuperable difficulty. If the whole of India will ultimately gain by it, is it not a desirable thing ?

A. I do not see they will gain by it.

4682. *Q.* In answer to Sir Edgar Holberton you said that America exports raw materials. I always thought that America largely exported manufactured goods. What are the raw materials ? There is only cotton. Excepting cotton is there anything else ?

A. Wheat.

4683. *Q.* The total volume of her finished articles, machinery and others, is as large as the total volume of raw materials. Is it not ?

A. I do not know.

4684. *Q.* Comparing the Indian workman with the Lancashire workman in answer to Mr. Narottam Morarjee's question you said that the Lancashire workman gets higher pay than the Indian workman ?

A. Yes.

4685. *Q.* He is a far superior worker to the Indian workman ?

A. Yes.

4686. *Q.* He turns out more work ?

A. Yes. He looks after more looms.

4687. *Q.* He puts in more work than the Indian workman ?

A. Yes.

4688. *Q.* I do not quite understand your answer about the excise duty. Will you please make it clear ? When you answered this question were you thinking of the ordinary excise duties or were you thinking of the countervailing excise duties ? What had you in your mind when you answered this question ?

A. By excise duties you mean the Indian excise duties ?

4689. *Q.* Ordinary excise duties on tobacco, salt and liquors, and countervailing excise duty which was put on in order to give Lancashire protection against the mill industry in India ?

A. No. I do not look upon it that Lancashire relied upon this country for their trade. Government decided to get revenue from piecegoods, and therefore they charged a 3½ per cent. duty on piecegoods.

4690. Imported ?

A. Piecegoods as a whole: excise on the piecegoods here and a duty on the piecegoods imported. But the 3½ per cent. duty which took the form of revenue from piecegoods was still being equivalent to free trade. But it was not protection for Lancashire.

4691. *Q.* It was ostensibly put in with that object, but it was in the interest of Lancashire. Don't you think so ?

A. I do not think so.

4692. *Q.* In answer to Mr. Rhodes you said that the masses should bear the cost of administration.

A. Not wholly, Sir.

4693. *Q.* To a certain extent. You said that piecegoods will have to bear the excise duties, though necessaries should be taxed as little as possible.

A. Not if you can do without it certainly. But I understand that you cannot get revenue without the tax on these necessaries.

4694. *Q.* But apart from the question of revenue would you recommend this duty ?

A. Not if there is no necessity from the revenue point of view. I would not recommend any duty at all.

4695. *Q.* Could you name any articles besides these on which excise duties should possibly be placed ?

A. Besides what you have already mentioned ?

4696. *Q.* Yes.

A. I am afraid I could not.

4697. *Q.* Is not this excise duty an indefensible duty altogether ?

A. Not if you avoid direct taxation. I look upon it as a charge instead of direct taxation.

4698. *Q.* You don't think that we have sufficient direct taxation in India ?

A. There is practically none except the income-tax and land revenue.

4699. *Q.* Considering the conditions of the country, land revenue and income-tax are quite enough direct taxes. They are quite sufficient ?

A. Not quite sufficient for revenue purposes.

4700. *Q.* Then you are arguing within a circle. Could you name any country which has got revenue by these methods that you recommend for India ?

A. I would rather have direct taxation.

4701. *Q.* I am asking you whether there is any country in the world which has adopted the crooked method of countervailing excise duty ?

A. It is a duty for revenue instead of a high direct taxation, and is easier for the people.

4702. *Q.* You say in answer to Question No. 16, "only so long as they can successfully compete with machine-made goods." Is there any competition between machine-made goods and the handloom industry now here in India ?

A. A good deal, I think.

4703. *Q.* What part of India ?

A. I do not know about direct competition. If there is no handloom stuff in the world there would be far more machine-made stuff used.

4704. *Q.* Are you not aware that even in England, with its great manufactures and its great power looms, there is still the handloom industry ?

A. Yes.

4705. *Q.* If the handloom industry is surviving in England in the midst of a great and fully developed industry, if it does not come into conflict with machine-made goods in England, how can it come into conflict with the machine-made goods here ?

A. Then it does not require any Protection.

4706. *Q.* Are you not aware that the income per head in England is greater than the income per head in India ?

A. Yes.

4707. *Q.* Only one other question, about the tariff valuations. I gathered from what you said in answer to Mr. Rhodes that you were of opinion that a tariff valuation was preferable to *ad valorem* ?

A. If it could be satisfactorily done.

4708. *Q.* They have not got at present in the country a trained and experienced machinery to deal with that question ?

A. No. It has all to be organised.

4709. *Q.* So far as I know it will take years to organise a thing like that.

A. Not necessarily.

4710. *Sir Montagu Webb*: It is now in existence for sugar.

4711. *Sir Maneckjee Dadabhoy*: That is very very small, and that for a special thing.

4712. *Mr. Rhodes*: It is organised for a large number of goods. Before I left Calcutta I sat as chairman at a committee of the members of the various trades, the Collector of Customs, and the Commercial Intelligence experts, to decide valuations next year. The Government had prepared their statement on the basis of certain valuations. Some of their figures were objected to, but others were accepted.

4713. *Sir Montagu Webb*: You deal with foreign piecegoods. Could you tell the Commission from your personal experience, how is it that America cannot compete in India for cotton goods ?

A. I should think because of the protective tariff in America the cost of living in America is so high. They can overcome that by mass production, but there is no mass production in piecegoods possible. In fact you very seldom find Lancashire and Bombay competing for the same quality.

4714. *Q.* You think it is a protective country, and therefore they cannot compete in India ?

A. Yes.

Witness No. 30.

Mr. SHRI RAM, Secretary, Delhi Cloth and General Mills Co., Ltd.

Written statement dated the November 1921.

4715. *Q.* 1. We generally favour the policy of Protection.

4716. *Q.* 2. Yes. We do consider a tariff Provides a more suitable form of taxation for India than direct taxation. If fresh taxation were necessary we should prefer an increase in customs.

4717. *Q.* 3.

Import.	*Duty to be imposed.*
Dairy appliances	
Cotton twist and yarn and cotton sewing or darning thread	Same as piecegoods.
Iron and steel	7½ per cent.
Playing cards, toys, etc.	50 per cent.
Fire works, ivory manufactured, etc.	50 per cent.

Export.	*Duty to be imposed.*
Cereals, oil seeds and cotton.	Rs. 2 per maund for the present and to be increased from time to time to check export when necessary.

4718. *Q.* 4. No. It should be protective.

4719. *Q.* 5. Ruinous in the past, likely to be ruinous in the future.

4720. *Q.* 6. No.

4721. *Q.* 8. The prices are bound to rise ; but the bulk of the population is not likely to be affected.

4722. *Q.* 9. Yes. The teeming idle millions of India will have work to do and the forced unemployment will disappear and this will improve the economic and consequently the political situation.

4723. *Q.* 10. India can soon become independent of other countries except in machinery and chemicals, for which even a beginning has not been made either in theory or in practice.

4724. *Q.* 11. On all.

4725. *Q.* 12. Does not arise.

4726. *Q.* 13. Yes : we shall protect all, but if given the alternative, we shall commence with those imports which are the largest in value.

4727. *Q.* 14. The reply to Q. 11 covers this. In case it was not to be followed industries which are likely after a period to face foreign competition without such assistance should be protected first.

4728. *Q.* 15. Yes. His Majesty's Trade Commissioner must keep a watch.

4729. *Q.* 16. We have never excluded cottage industries in dealing with the above questions. Yes.

4730. *Q.* 17. The law of supply and demand will work its own way. Unfortunately India is a country where combination has become impossible.

4731. *Q.* 18. Yes. They should be welcomed but at least 60 per cent. of the capital and the voting power also to the same extent should be Indian.

4732. *Q.* 19. No.

4733. *Q.* 20. Yes.

4734. *Q.* 21. This is likely to be permanent.

4735. *Q.* 22. Yes.

4736. *Q.* 23. Necessaries of life are not imported but exported.

4737. *Q.* 25. The trade will be restricted, good.

4738. *Q.* 26. Yes.

4739. *Q.* 29. Yes.

4740. *Q.* 30. The primary function of the export duty in India should be to see that the people of the country get the commodities at reasonably low prices and the surplus only is to be exported. Revenue is of secondary importance.

4741. *Q.* 31. It restricts the trade. Yes. In case of jute and its manufactures, certain oil seeds, etc. As in No. 30—all sorts of oil seeds, cereals and cotton, etc.

4742. *Q.* 32. No. Since the Government will get the export duty, it will have to reduce the land revenue.

4743. *Q.* 33. As above. Not bad.

4744. *Q.* 34. We agree in principle.

4745. *Q.* 35. We are entirely opposed to Imperial Preference as the system that is in vogue in India now-a-

days is not being carried in accordance with the will of the majority of our countrymen.

4746. *Q.* 43. Textile.

4747. *Q.* 44. Yes. We have raw material in the country and the country needs the produce.

4748. *Q.* 45. Yes.

4749. *Q.* 46. Most defective comparatively.

4750. *Q.* 47. Mainly on India.

4751. *Q.* 48. England, Japan, America, and Germany etc., both in the Indian markets and elsewhere. It extends to finer qualities, the finer the cloth the keener the competition.

4752. *Q.* 49. They have had a very early start over us, they have cheaper coal and efficient labour. Most of the machinery and stores are manufactured in their own country and last but not the least they have self-government.

4753. *Q.* 50. Yes. In the present abnormal conditions no facts and figures are available but we presume that at least 15 per cent. duty will be necessary.

4754. *Q.* 51. In course of time it is possible that the industry may not require protection and may be able to hold its own against foreign competition.

4755. *Q.* 52. Not so far.

4756. *Q.* 53. Not that we know of.

4757. *Q.* 54. Does not arise.

4758. *Q.* 55. Should it happen the import duty can be increased at the earliest possible opportunity.

4759. *Q.* 56. The effect of the enhancement of tariff was more than counterbalanced by the exchange, and it is very difficult to describe any defects in times abnormal like the last period.

4760. *Q.* 58. Handloom weaving.

4761. *Q.* 59. No.

4762. *Q.* 60. I would prefer the latter course.

Oral Evidence, Delhi, the 13th December 1921.

4763. *President—Q.* You are a member of the Punjab Chamber of Commerce ?

A. I am on its managing committee.

4764. *Q.* You appear before the Commission in your individual capacity, because there is a difference of opinion in the Chamber ?

A. There were two opinions. Mr. Gray was an out and out free trader and I am an out and out protectionist.

4765. *Q.* There were differences of opinion in the Chamber itself ?

A. Yes.

4766. *Q.* You are interested in the textile trade or industry ?

A. Trade and industry.

4767. *Q.* Will you please tell us in what respect you are interested in industry and trade ?

A. I manage a cotton mill, and in that respect I am of course interested in that industry. I am Secretary of the Delhi Cloth and General Mills. I have got two or three wholesale cloth shops.

4768. *Q.* Dealing with Indian, foreign or both ?

A. Both.

4769. *Q.* In answer to Question No. 3 you recommend that an import duty be imposed on the following lines which you indicate :—

Dairy appliances, cotton twist and yarn and cotton sewing and darning thread . . .	Same as piecegoods
Iron and steel	7½ per cent.
Playing cards, toys, etc., fire works, ivory manufactured, etc. . .	50 per cent.

You also suggest the imposition of the following export duties :—

Cereals, oil seeds and cotton . .	Rs. 2 per maund for the present and to be increased from time to time to check export when necessary.

I should like to draw your attention to Question No. 3 to which you have given this answer. You will observe that that question merely deals with tariffs for revenue purposes. Do you recommend this increased taxation for revenue purposes or for purposes of protecting these industries ?

A. Well, if Government wants revenue I think these are better items for revenue than certain other items.

4770.—*Cancelled.*

4771. *Q.* Do you make these recommendations purely for revenue purposes ?

A. Not merely. I might say that Protection naturally comes in my mind when the question of revenue comes.

4772. *Q.* In making this suggestion you have had in mind the effect of it in protecting Indian industries ?

A. Certainly.

4773. *Q.* I should be glad if you would kindly explain your answer to Question No. 5 a little more fully ?

A. I do not think it requires much explanation. We see that everything from the most urgent necessities of life to the luxuries, were at one period made in India. They are all imported now. We used to make in Delhi, not in my time, but in my father's, ordinary needles which is now supposed to be an impossibility to make in competition with foreign needles. In the same way almost everything was made in India. The specs. you wear, the pebbles for them were made here. These were all industries going on in the country, but they are extinct to-day.

4774. *Q.* Do you attribute that to the tariff policy of the Government, or to their free trade policy ? That is a distinction one has to make. You may not say that it is the result of the tariff policy ; you might hold that view with regard to the free trade policy. What do you consider has been the effect of the existing tariff policy, that is to say, the customs duties imposed for revenue purposes ? The result you indicate in your answer is the result of the free trade policy adopted by India ?

A. Yes.

4775. *Q.* In answer to Question No. 9 you say that the tariff should be framed primarily with the object of fostering Indian industries. As a result you expect "The teeming millions of India will have work to do and the forced unemployment will disappear and this will improve the economic and consequently the political situation." Is it your view that a large number of people in India are at present not fully occupied ?

A. Yes.

4776. *Q.* And what is your remedy for it—cottage industries or power industries ?

A. I would personally prefer cottage industries.

4777. *Q.* What kind of cottage industries would you recommend ?

A. Every kind. For instance, in Sialkot we have these sporting industries, such as tennis rackets, etc. At one time it was supposed that it was impossible to establish this industry. If you go to Meerut you will find very good scissors made there. Ordinary electric fans can easily be turned out by cottage industries.

4778. *Q.* You say you prefer cottage industries. But what are your views as regards power industries ?

A. I do not think they will be so advantageous to the millions as cottage industries. Power industries can benefit only a limited few, but cottage industries will benefit the millions who are engaged in agriculture. The agriculturist can do his agriculture, and when he is idle he can attend to the industry.

4779. *Q.* Do you think that power industries would draw away a large number of people who are engaged at present in agriculture ?

A. It is bound to do so. When they want labour they must draw it from somewhere, and they can only do it from agriculture. But I do not think that agriculture will suffer on account of that withdrawal.

4780. *Q.* How do you explain that there is surplus labour in agriculture which is not needed and can be diverted to power industries ?

A. My experience is only within a short area. I owned some villages, and we had enough surplus labour.

4781. *Q.* In answer to Question No. 30, you say "The primary function of an export duty in India should be to see that the people of the country get the commodities at reasonably low prices and the surplus only is to be

exported. Revenue is of secondary importance." What effect do you think this would have on the agricultural industry and on the producers of raw materials and foodstuffs ?

A. Not bad. It is supposed that the Government charges revenue at the ratio of 55 and 45, but that is only in theory. In practice we see the agriculturists are barely left just enough on which they can exist. If they get more for their produce, at the next assessment Government will fix at such rates that they will again get just as much as they get at present. Government can make up the loss by the increase in customs.

4782. *Q.* Please explain that a little more. You realise what we are dealing with ? The effect of imposing export duties will be the lowering of prices in India and do you think that this lowering of the prices would not discourage the production of raw materials and foodgrains ?

A. If you levy duties at the same time on all other articles they won't affect.

4783. *Q.* By this you expect the cost of living would be brought down ?

A. Yes.

4784. *Q.* In answer to Question No. 48 you say "England, Japan, America and Germany, etc., both in the Indian markets and elsewhere." In what other places do these countries compete with your manufactures ?

A. I have no personal experience about it. I have given the reply from my reading of books and papers. In the Levant and other places, where Bombay goods used to go, these countries are competing.

4785. *Q.* Do you think these are the advantages which you have enumerated in your answer to Question No. 49 which enable them successfully to compete with Indian industries in India ?

A. Yes.

4786. *Sir Edgar Holberton*— *Q.* I gather from your answer to Question No. 18 that your point is that it is essential that Indians should have control over any industry which is started in the country ?

A. Yes.

4787. *Q.* You want the voting control. As for the managing control, you would get the very best men from whatever nationality, I suppose ?

A. Yes.

4788. *Q.* As regards Question No. 23, you say that necessaries of life are not imported. Is that true at the present moment ?

A. So far as the masses are concerned.

4789. *Q.* What would you call necessaries of life ?

A. I would only class foodgrains and the coarser kinds of cloth as necessaries of life.

4790. *Q.* Anything else ?

A. Such things as milk, butter, etc., of course come in.

4791. *Q.* Well, from your point of view, therefore, India has already arrived at a point where she is self-sufficient for the masses ?

A. She has always been.

4792. *President—Q.* Kerosine ?

4793. *Sir Edgar Holberton.*—He (witness) means the larger necessities of life. The larger necessities of life India can supply herself ?

A Yes.

4794. *Q.* You make rather an interesting statement in your reply to Question No. 32. You think that sufficient export duty will be realised to enable Government to reduce the land revenue ?

A. Yes. If you do not realise enough, there are other ways in which they can economise in administration. Every month and every week, we hear of increments here and there. If prices go down this will be unnecessary.

4795. *Q.* You mean increase in land revenue ?

A. No. Increase in wages.

4796. *Q.* You mean increase in wages will become unnecessary ?

A. Yes.

4797. *Q.* This is hardly a question of wages ?

A. When you asked the question whether the Government would be able to make up its loss by export duties, I stated that if the loss is not made up, there will be some reduction in the way of salaries, etc. For instance, if things sell cheap, there will be peace in the land, and less police will be required in the country. I think this will more than balance the loss in revenue.

4798. *President.*—You mean the cost of administration will be reduced ?

A. Yes.

4799. *Mr. Narottam Morarjee.*—Will you please tell me what has been the effect of the 11 per cent. import duty on piecegoods ?

A. It is very difficult to say. The times are abnormal. We levy an 11 per cent. duty, but on the other hand the exchange has also gone down from 2*s.* 6*d.* to 1*s.* 4*d.* The times are so abnormal that it is very difficult for anybody to say anything.

4800. *Q.* Yesterday we were told that the mills are making very large profits and are selling their goods at a very high price. Even if the mill-owners sold their goods at cheaper prices, would not the middlemen regulate their prices according to supply and demand ? Would they not regulate their prices according to the price of the English piecegoods ?

A. Well, I do not think it is in the hands of middlemen to regulate prices of mill produce in India according to foreign produce. It is a question of supply and demand. I know that Cawnpore, Amritsar and Delhi merchants cannot make much profit out of Indian made goods. I do not know anything about Bombay merchants.

4801. *Q.* You admit that the prices will be regulated by supply and demand ?

A. Yes.

4802. *Mr. Coyajee.*—*Q.* I gather from your answer to Question No. 3, that you want dairy appliances to be taxed at the same rate as piecegoods ?

A. Yes.

4803. *Q.* Do you think that such a duty is advisable in view of the fact that we are making great efforts to start new co-operative dairies in India ?

A. I should think it must be still higher and the only effect of these dairies so far as the middle class and poor people are concerned is that they get milk after the cream has been separated for the rich people. That is the only effect so far as 99 persons out of 100 are concerned. Rich people may be able to get their butter and cream, but 99 persons out of 100 get milk without cream.

4804. *Q.* Don't you think, Mr. Shri Ram, that milk sold by these co-operative dairies is superior to that sold by others and is less adulterated ?

A. That may be your experience in Calcutta.

4805. *Q.* You propose to put a duty of 7½ per cent. on iron and steel. Now are not iron and steel essential raw materials for manufactures in this country and even for agriculture in this country ?

A. Yes.

4806. *Q.* To that extent it would set back those industries ?

A. Some of the industries have to suffer in the beginning till they come up to the level of Tatas or Martins.

4807. *Q.* You also propose a duty of Rs. 2 per maund on cereals, So you include wheat ?

A. Yes.

4808. *Q.* Rs. 2 per maund would be a duty of 25 per cent. on wheat. Don't you think it is a very heavy duty to put on wheat ?

A. I do not think so. I think everybody should have a right to get at least 16 seers of wheat to the rupee.

4809. *President.*—*Q.* Do you think that the agriculturists will go on producing the wheat if prices were at such a level ?

A. It is not that, Sir. Assessment is fixed on a certain price. Of course if we find that it does not pay the agriculturist to grow wheat, and he takes to other things, we will levy duty on other things. We will levy duties on cotton. They must grow enough wheat for the country.

4810. *Mr. Coyajee.*—*Q.* You suggested in answer to one of the questions that the export duties on agricultural produce will lower the cost of living ?

A. Yes.

4811. *Q.* And reduce agricultural wages ?

A. When living is cheap, all the labour is cheap.

4812. *Q.* I quite agree. I only want to suggest to you that only the export duty on food products will have the effect of lowering the cost of living. Then coming to Q. 13, you say "We shall protect all, but if given the alternative, we shall commence with those imports which are the largest

in value." Would it not be better to commence with those things in the production of which our capacity is the best? Should not that be the order of Protection? That is to say would it not be preferable to take first the industries which are most promising, rather than those imports which are the largest in value?

A. I am unable to answer unless I have an example before me. I had in my mind sugar and piecegoods.

4813. *Q.* In reference to Question No. 50, you presume that at least 15 per cent. duty is necessary. What are the grounds on which you arrive at this figure? Is it by a comparison of our costs with foreign costs?

A. I have myself said "In the present abnormal conditions no facts and figures are available, but we presume that at least 15 per cent. duty will be necessary."

4814. *Q.* You say 15 per cent. duty is necessary for all piece goods?

A. Yes.

4815. *Q.* Will you kindly tell us whether you prefer to place a single duty of 15 per cent. on all sorts of piecegoods or different duties on different kinds of piecegoods?

A. That would be preferable.

4816. *Q.* With that 15 per cent. duty which you propose, would you keep the excise duty on or abolish it?

A. No countervailing excise duty.

4817. *Mr. Seshagiri Ayyar.—Q.* In answer to Question No. 3, you suggest that an import duty should be imposed on dairy appliances, cotton twist and yarn. Have you considered the effect of imposing a duty upon the handloom industry; at present yarn is without any duty?

A. Yes.

4818. *Q.* You know that the handloom industry is largely concerned with yarn of a finer quality?

A. Not largely.

4819. *Q.* So far as my Presidency is concerned, you may take it from me that the handloom industry is largely concerned with yarn of a superior kind.

A. It may be.

4820. *Q.* If you are going to impose a duty on yarn would it not affect adversely the handloom industry?

A. I do not think so. You get best Kambodia cotton in your Presidency.

4821. *Q.* The cotton grown in our parts is not like Japan or American cotton, which are able to give very fine yarn?

A. I have no objection to importing cotton free.

4822. *Q.* You would impose a duty on manufactured cotton?

A. Yes.

823. *Q.* That is the distinction you draw?

A. Yes. The mills should make yarn in India and then supply it to the weavers.

4824. *Q.* Don't you think that the probable result of imposing an export duty on cereals would be that the agriculturists would take to cultivating some other crops. The result would be that the food-supply of India would suffer.

A. So far as I know there are only three things in the Punjab, I mean only three big items, cotton, sugarcane and wheat. I do not think there will be any harm done. As regards cotton and wheat, I have once proposed a duty.

4825. *Q.* How can sugar make up for the shortage of wheat?

A. As regards wheat, more than what is needed by India is grown. We need not think that growing of wheat will altogether be stopped.

4826. *Q.* You must know that there are famine times when very little of wheat is produced. Last year we had to import a good deal from Australia?

A. I have already said in reply to a question by the President that if necessary we will have to levy export duties even on other articles.

4827. *Q.* You say that an export duty should be imposed on wheat. A large zemindar of the Punjab told us that it would have the result of driving the landowners to take to other cultivation. If that happens there will be shortage of food for the country. Therefore having regard to the fact that an export duty would have the effect of lessening the food-supply, would you still insist on saying that there should be an export duty on these cereals?

A. If it comes to happen, we will tax the crops that they grow instead of wheat.

4828. *Q.* Take the case of sugarcane which will be cultivated in the place of wheat. You say by imposing a duty on sugarcane, people would be induced to give up the cultivation of sugarcane and take to the cultivation of wheat. Is that what you suggest?

A. Yes.

4829. *Q.* Then you would recommend the imposition of a duty upon sugarcane, upon wheat, upon rice, and upon every kind of article?

A. Yes.

4830. *Q.* Thereby making it possible for the cultivator to confine his attention to what is most profitable to him?

A. That of course he always does; it will be to the interest of the country to see that he grows a certain quantity of a certain thing.

4831. *Q.* So far as sugarcane is concerned, it should be retained in this country and we should be able to manufacture sugar. Therefore if a man has got 10 acres and if he finds it more profitable to cultivate sugar than wheat, then would he not give up the cultivation of wheat, with the result that there would be shortage of food-supply in the country?

A. My idea is that a duty of Rs. 2 a maund on wheat will not reduce the growing of wheat to that extent that we will come to famine conditions.

4832. *Q.* You think that an export duty will not lessen the quantity now available in the country?

A. Not to the extent that we should be frightened.

4833. *Q.* There is another class of witness who say that if you impose protective import duties the result will be—there will be a smaller quantity of imports coming into this country and thereby the price of cotton goods and other textiles would go up enormously and affect the poor consumers. Do you think there is anything in that?

A. I do not think it will affect the poorest classes. For a number of years it will affect the middle class. Prices of mill-made goods are bound to go up. The only effect will be that so much machinery will be ordered out that prices will come down by the law of supply and demand.

4834. *Q.* You don't think that people will be generally affected thereby?

A. No, not the masses.

4835. *Q.* You said in answer to one of the questions by one of the Members that the idle hours of the teeming millions might be employed in these cottage industries. I may also suggest to you that the women in the household in our parts will be able to take to this kind of work, if these cottage industries are encouraged?

A. Of course they will take to it, not only the women but also the children.

4836. *Q.* Without being subjected to factory laws?

A. The individual has to sacrifice for the sake of the greater number.

4837. *Q.* It is a bold answer that you have given to Q. 32. Your reply is "No. Since the Government will get the export duty, it will have to reduce the land revenue." Is it possible that land revenue would ever be reduced on account of the export duty?

A. If it does not pay the agriculturist to cultivate the land, Government will have to do it. Every 30 years there is revision of assessment.

4838. *Q.* You would be nearer the mark if you said that periodical enhancement of land revenue need not be made. That is the mischief that is being done in our parts. If it can be checked by getting more export duties, I think it will do great good to agriculture?

A. I have no objection to putting it that way.

4839. *Mr. Rhodes.—Q.* With reference to a question asked by my colleague on the right you said you would prefer to import raw cotton rather than import fine yarn?

A. Yes.

4840. *Q.* If we imported Japanese and American cotton, could it be spun here?

A. I do not see why it should not be spun here, and even if at the present time it could not be spun, I do not understand why it should not be possible in the near future to spin it.

4841. *Q.* I am thinking of climatic conditions ?

A. We can artificially set right the climatic difficulties.

4842. *Q.* In all parts of India ?

A. Everywhere.

4843. *Q.* You mean steaming ?

A. Not only steaming, we can make humidity, we can make the climate dry.

4844. *Q.* How will you make it humid ?

A. By putting in jets and everything.

4845. *Q.* Is it not rather injurious to health ?

A. If we give fresh air along with it, I do not think it is injurious.

4846. *Q.* You know that there had been an outcry in England against steaming ?

A. I am not speaking of steaming. The weather is so cold in England that they have to give steaming. I know that for 10 months in the year we have to give both fresh air and water.

4847. *Q.* Do you artificially get humidity in your mills now ?

A. Yes.

4848. *Q.* How is that ?

A. We have it through the underground gutters. We draw fresh air and play out of small holes and the humidity comes on.

4849. *Q.* You think that fine yarn could be spun, 70's and 80's, in India ?

A. With machinery and efficient labour, it could be done. As a matter of fact, I understand that the Sholapur mills were doing up to 100's.

4850. *Q.* With reference to your answer to Q. 60, I think I am right in assuming that you suggest that you would rather have a general rate of duty on all goods ?

A. Yes. Of course it will have to be varying.

4851. *Q.* I think you have considerable use for iron girders, machinery, iron plates, pillars, etc.

A. Yes.

4852. *Q.* Certain suggestions have been made and will be made to this Commission to impose an import duty of 25 per cent. or 33 per cent. on iron and steel in favour of the Indian iron and steel works. That will materially increase the price ?

A. Yes.

4853. *Q.* That will increase the price of commodities which you wish to buy as cheaply as possible. Do you think that this would be a disadvantage to your business ?

A. Since I want Protection for my own cotton mills, I must want Protection for iron works also.

4854. *Q.* Would not the Protection of 15 per cent. be neutralised by the 33 per cent. granted to the iron and steel works by duties on other things that you have to import at present ?

A. I do not think so. Not to that extent. If anything, it will be a very small percentage.

4855. *Q.* It would increase the cost, but not to a great extent ?

A. To a very small extent.

4856. *Q.* You refer to the employment of Indian capital in your answer to Question No. 18. Do you realise that shares are freely saleable in the market ?

A. Yes.

4857. *Q.* If in the first instance you had 60 per cent. held by Indians and 40 per cent. by the English or American or other people abroad, it will stop Indians from selling their shares.

A. The shares held by Indians will be saleable between Indians and the others between Europeans.

4858. *Q.* Supposing an Indian sells to an European ?

A. It will be null and void.

4859. *Q.* Would not that seriously affect the industrial development of the country ?

A. I do not think so. Of course there will be some effect.

4860. *Q.* Would you buy shares which you are not able to sell in the best possible price ?

A. It is not a non-saleable thing.

4861. *Q.* Supposing the best price could be got only by sale to Europeans ?

A. Of course it will have to be sacrificed for the sake of the principle.

4862. *Q.* Your idea of export duty is to prevent exports.

A. That is the primary idea.

4863 *Q.* You do not want exports to grow wheat and cotton ?

A. Yes.

4864. *Q.* If you are successful in stopping exports, how will those exports give any revenue in order to reduce your land revenue ?

A. I do not think I want to stop them altogether. The surplus should go out and as much as India wants should remain here, and at the same time it should be increased from time to time to check export when necessary.

4865. *Q.* You want to stop export ?

A. If there is no surplus. If there is a surplus it should be exported.

4866. *Q.* You have got a world price for wheat. Australia and South America are competing with India. If you put on an export duty you will stop the export of wheat.

A. That is right, but enough should be left in the country even without an export duty. This duty will always have to be changed.

4867. *Q.* From month to month ?

A. If necessary.

4868. *Q.* That would have to go before the Assembly surely and the Assembly does not meet every month. Will that be a practical suggestion ?

A. It could go to the executive Government instead of the Assembly.

4869. *Q.* In reference to your answer to Question 46, you are not very hopeful about the organization, etc., of the cotton industry and you want to raise that standard, I presume ?

A. Yes.

4870. *Q.* Do you think there would be any danger of a protective duty preventing the raising of the standard ?

A. No.

4871. *Q.* And make us in India prepared to go on in the old way rather than improve our methods ?

A. No, not for 20 years.

4872. *Q.* You say that you are entirely opposed to Imperial Preference, as the system that is in vogue in India now-a-days is not being carried out in accordance with the will of the majority of your countrymen. May I ask if there is any evidence as to the wishes of the people in this respect ?

A. I do not think this arises; when they have no power, they could not enforce their will.

4873. *Q.* Haven't they had a chance of expressing their views ?

A. It is not a question of expression. Even if they do express, it would not be listened to.

4874. *Q.* You do not mean that people are definitely in favour of one thing or another, but simply they have had no opportunity to express themselves ?

A. I do not think they had no chances. They have been expressing throughout. For instance in 1904 the position of the cotton mills was very bad. I do not think they removed the countervailing duty or increased the customs duties. The same thing applies to the 3½ per cent. duty. Even now I think Government dare not remove it.

4875. *Q.* That is the position of the particular industry ?

A. That I have in view. There may be other things.

4876. *Q.* As regards the export of cotton, as an Indian manufacturer, you are very desirous of having cotton to keep your looms going on ?

A. Yes.

4877. *Q.* The only way to guarantee that is to grow a surplus so that you may have sufficient cotton for all the Indian mills. If you do not have a normal surplus in a normal year you will not have sufficient cotton ?

A. Yes.

4878. *Q.* Do you think that the agriculturist would be encouraged to grow more cotton even in bad seasons to give you the amount you require if he were allowed to export freely

A. I do not think the duty I have suggested will interfere with the growth of cotton. I know that the rate of seed cotton was Rs. 4 per maund, and it was grown then. Then it was Rs. 6, even then it was grown. When it is Rs. 20, even then it is grown. It is always varying. Duty of Rs. 2 to Rs. 5 a maund is not very much now.

4879. *Q.* Your intention is to limit exports by duty ?

A. Yes, to keep enough in the country.

4880. *Q.* If a duty does not limit export, you will increase the duty until it does ?

A. Yes.

4881. *Q.* Would not that eventually discourage the growth of cotton ?

A. If it does, you will have to remove the duty. It will always have to be seen.

4882. *Mr. Mant—Q.* In regard to export duty, your main object is to restrict export of food in order to cheapen the price of food in this country ?

A. Yes.

4883. *Q.* It was objected to on the ground that the cultivators might grow alternative crops if they do not get sufficient profit out of wheat. Then you say you will tax the other crops as well ?

A. Yes.

4884. *Q.* So as to make the balance even between those crops. That really means you are going to shut the unfortunate agriculturist in behind this fence and stop him making as good profits as he makes now. Will not that be the effect of your proposal ?

A. I am really sorry you do not know the position of the agriculturist. He has to get a certain amount, above which he cannot get. He gets just enough to live upon, and I do not think he gets a full meal every day. I have owned villages. If for a few years, they are well-to-do, next assessment soon comes on.

4885. *Q.* Let us leave the assessment alone. I want to know the correct description of your proposals, *viz.*, to reduce the price of everything that the agriculturist produces ?

A. Yes.

4886. *Q.* Will that not injure the agriculturist ?

A. No. First of all, he himself and his family require a certain portion of the produce for his purpose, and if he cannot make the two ends meet, the revenue will not be increased.

4887. *Q.* The question of revenue comes in 30 years. I want to know what is going to happen till this revenue is increased.

A. It is not a case of 30 years all over India. In some places, the revision of assessment comes on in sixteen years and so on.

4888. *Q.* If it does come in 5 years, will there be any comfort to the agriculturist ?

A. This is a small duty. I do not think it would have very much effect.

4889. *Q.* If it has no effect, surely it would not bring prices down?

A. Of course it will affect, but not to a very great extent. If it does, in my opinion, it will have to be sacrificed.

4890. *Q.* You think he will go on cultivating as much land as he did and you think that the whole agricultural produce of India will not be reduced ?

A. No.

4891. *Q.* Why not ?

A. It will not reduce it to such an extent that he will give up his profession.

4892. *Q.* So the whole scheme is based on the reduction of his profits ?

A. If his profits go down, the cost of living goes down and the cost of living in other places goes down, the wages of labour everywhere go down. It would not suit him to go to other work. He will have to do it. When wheat was selling at 16 seers per rupee, the agriculturists were doing the same thing. When cotton was selling at Rs. 12 per maund then too agriculture was going on. I cannot understand how it will affect.

4893. *Q.* Have you any land yourself ?

A. I have got some land now, but not much.

4894. *Sir Maneckjee Dadabhoy—Q.* As regards iron and steel you say that you recommend a 7½ per cent. duty ?

A. Yes.

4895 *Q.* Including all metals or only iron and steel ?

A. No only iron and steel. I do not know whether copper and brass, for instance, could be produced in India or not.

4896. *Q.* The export duty of Rs. 2 per maund of cotton which you recommend will work out to something like Rs. 18 per khandi (equivalent to 720 lbs.) ?

A. Yes.

4897. *Q.* Don't you think a duty like this would depreciate the value of cotton ?

A. Of course the price of cotton will go down.

4898. *Q.* Very considerably ?

A. I do not think that it would go down very considerably at the present time.

4899. *Q.* Don't you think that a corresponding depreciation would result in the cultivation of cotton crop ?

A. Yes.

4900. *Q.* Do you think that this taxation is to the general interest of the agriculturist ?

A. Of course he would be hit to a certain extent but not to a very large extent.

4901 *Q.* Are you aware that in India all mills do not consume even half the total quantity of cotton grown in the country ?

A. I do not know the exact position.

4902. *Q.* What would you do with the surplus cotton if a heavy export duty makes Japan take her requirements of cotton from elsewhere ?

A. My idea has been that the export duty should be so arranged that only the surplus cotton can go out, though at reduced prices to the seller.

4903. *Q.* How will you arrive at the actual surplus and what are you going to do with all the cotton lands ?

A. They will take to more wheat.

4904. *Q.* Are you not aware that by raising cotton the Indian agriculturists make much more than by raising wheat ?

A. It is not every land that grows cotton. All land need not be sown with cotton. After growing wheat they can be utilised for cotton.

4905. *Q.* I should like to know in more detail what you mean by your reply to Question No. 17.

A. I cannot give any definite reasons why combinations can be impossible, but they are impossible.

4906. *Q.* Mr. Rhodes asked you about your reply to Question No. 18. If your suggestion is adopted would it not have the effect of depreciating the securities. Suppose a company is started with 60 per cent. share held by Indians and 40 per cent. by Europeans. You hold some shares and you want to sell to me, an Indian. The share is for 200 rupees and I give you 300 rupees. Mr. Rhodes also gives you 300 rupees. The question is whether you keep down prices or not. My opinion is that it will depreciate the security apart from the fact that it will mean State interference with the internal management of the industries depending on technical knowledge ?

A. I do not think there is any difficuly. If the Indian saved more money I do not see why they should not sell to Europeans. I think it is quite workable.

4907. *Q.* You have no objection to importing cotton free? Of course you are aware that you are now importing some cotton from Egypt and America. What would be the effect of this on the staple cotton industry in India ? Will it not depreciate the value of staple cotton in India ?

A. It may have an injurious effect on the growth of cotton. But raw material can always be imported.

4908. *Q.* Would you recommend the import of cotton ?

A. Yes. Government loses revenue on one hand, on the other hand the cultivator of staple cotton suffers in prices. The advantage in this is that you can make finer cloth and yarn in the country.

4909. *Q.* We cannot import very large quantities ?

A. I do not know how much is imported, but on principle I say that raw material should be imported free.

Witness No. 31.

The DELHI HINDUSTANI MERCANTILE ASSOCIATION, DELHI.

Written statement dated the 28-29th November 1921.

4910. I am directed by the Committee to send you the written evidence as desired in your letter dated 22nd October 1921, No. 6763. Mr. Shri Ram, Secretary, the Delhi Cloth and General Mills, Limited, assisted by Mr. Amir Chand Khosla shall appear before the Commission to give evidence on behalf of the Association.

4911. *Q.* 1. We generally favour the policy of Protection.

4912. *Q.* 2. Yes. We do consider that a tariff provides a more suitable form of taxation for India than direct taxation. If fresh taxation were necessary we should prefer an increase in customs.

4913. *Q.* 3. We think it advisable to make the following changes in the tariff.

Import.	*Duty to be imposed*
Dairy appliances . .	To class 11 per cent.
Cotton twist and yarn and cotton sewing and darning thread .	Change to textile.
Animals . . .	15 per cent. (Change in the general head.)
Liquors . . .	Double the present rates.
Sugar	Do.
Cigarettes and cigars .	Do.
Tobacco, manufactured .	Do.
Tobacco, unmanufactured	Do.
Iron and steel . .	To class 11 per cent.
Aeroplanes . . .	Do
Provisions and Oilmen's stores . . .	To class 20 per cent.
Silk piecegoods . .	To class 33⅓ per cent.
Textile	To class 15 per cent.
Toys, etc., fire works, ivory manufactured, etc.	To class 33⅓ per cent.
Export.	*Duty to be imposed.*
Cereals, Oil seeds and Cotton . . .	Rs. 2 per maund for the present and to be increased from time to time to check export when necessary.

4914. *Q.* 4. No. It should be protective.

4915. *Q.* 5. Ruinous in the past and likely to be ruinous in the future.

4916. *Q.* 6. No.

4917. *Q.* 7. Needs no reply.

4918. *Q.* 8. The prices are bound to rise but the bulk of the population is not likely to be affected.

4919. *Q.* 9. Yes. The teeming idle millions of India will have work to do and the forced unemployment will disappear. This will improve the economic and consequently the political situation.

4920. *Q.* 10. India can soon become independent of other countries except in machinery and chemicals for which even a beginning has not been made here either in theory or in practice.

4921. *Q.* 11. On all.

4922. *Q.* 12. Does not arise.

4923. *Q.* 13. Yes. We shall protect all, but if given the alternative we shall commence with those which are the largest in value.

4924. *Q.* 14. The reply to Question No. 11 covers this. In case it was not to be followed industries which are likely after a period to face foreign competition without such assistance should be protected first.

4925. *Q.* 15. Yes. His Majesty's Trade Commissioner must keep a watch.

4926. *Q.* 16. We have never excluded cottage industries in dealing with the above questions. Yes.

4927. *Q.* 17. The law of supply and demand will work its own way. Unfortunately India is a country where combination has become impossible.

4928. *Q.* 18. Yes. They should be welcomed but at least 60 per cent. of the capital and the voting power also to the same extent should be Indian.

4929. *Q.* 19. No.

4930. *Q.* 20. Yes.

4931. *Q.* 21. This is likely to be permanent.

4932. *Q.* 22. Yes.

4933. *Q.* 23. Necessaries of life are not imported but exported.

4934. *Q.* 25. The trade will be restricted. Good.

4935. *Q.* 26. Not at present.

4936. *Q.* 29. Yes.

4937. *Q.* 30. The primary functions of the export duty in India should be to see that the people of the country get the commodities at reasonably low prices, and that the surplus only is exported. Revenue is of secondary importance.

4938. *Q.* 31. It restricts the trade. Yes. In case of jute and its manufactures, certain oilseeds, etc. As in No. 305—all sorts of oilseeds, cereals, cotton, etc.

4939. *Q.* 32. No. Since the Government will get the export duty it would have to reduce the land revenue.

4940. *Q.* 33. As above. Not bad.

4941. *Q.* 34. We agree in principle.

4942. *Q.* 35. We are entirely opposed to the Imperial Preference, as the system of Government in vogue in India these days is not being carried on according to the will of the majority of our countrymen and as we have not yet attained the complete fiscal autonomy we do not think it advantageous to India to take to Imperial Preference in any form.

4943. *Q.* 43. Textile.

4944. *Q.* 44. Yes. We have raw material in the country and the country needs the produce.

4945. *Q.* 45. Yes.

4946. *Q.* 46. Most defective comparatively.

4947. *Q.* 47. Mainly all India.

4948. *Q.* 48. England, Japan, America and Germany, etc., both in the Indian markets and elsewhere. It extends to finer qualities, the finer the cloth, the keener the competition.

4949. *Q.* 49. They have had very early start over us, they have cheaper coal and efficient labour. Most of the machinery and stores are manufactured in their own country and last but not the least they have their self-government.

4950. *Q.* 50. Yes. In the present abnormal conditions no facts and figures are available but we presume that at least 15 per cent. duty will be necessary.

4951. *Q.* 51. In course of time it is possible that the industry may not require protection and may be able to hold its own against foreign competition.

4952. *Q.* 52. Not so far.

4953. *Q.* 53. Not that we know of.

4954. *Q.* 54. Does not arise.

4955. *Q.* 55. Should it happen the import duty can be increased at the earliest possible opportunity.

4956. *Q.* 56. The effect of the enhancement of tariff was more than counterbalanced by the exchange and it is very difficult to describe any defects in times abnormal like the last period.

4957. *Q.* 58. Handloom weaving.

4958. *Q.* 59. No.

4959. *Q.* 60. We would prefer the latter course.

4960. *Q.* 70. We import textiles (*i.e.*, cotton, woollen and silk) and sundries, etc., from England, Japan, Germany, America and France, etc.

4961. *Q.* 71. The conditions were so abnormal that the effect could not be realised.

4962. *Q.* 72. The volume may diminish but the value will not be affected in fancies, soft goods, superior woollen goods and silk goods.

4963. *Q.* 73. England does not take up the whole of the raw material of India and if preference is given India will not be able to maintain its balance of trade, and also India will not be able to sell raw material freely to those countries who will be affected by excess duties of Imperial Preference.

4964. *Q.* 74. We totally disagree to any Imperial Preference.

4965. *Q.* 75. No reply is needed.

4966. *Q.* 76. Same as 73.

4967. *Q.* 77. Covered by Question No. 74.

4968. *Q.* 78. We are strongly in favour that the duty should be specific.

Oral evidence of Messrs. SHRI RAM and AMIRCHAND KHOSLA, Delhi, the 13th December 1921.

4969. *President—Q.* You represent the Delhi Hindustani Mercantile Association ?

A. Yes.

4970. *Q.* Your Association deals in textile goods ?

A. Mostly, and other things too. We generally import textiles (woollen, silk and cotton goods), and sundries about 70 per cent. from America, Japan, Germany and France.

4971. *Q.* Can you tell us what the strength of your Association is ?

A. 450 individual firms including merchants, importers and commission agents (Arhatias), etc.

4972. *Q.* In answer to Question No. 3 you have suggested various changes in the rates of duties which should be imposed ? I believe you realise that that question deals only with tariffs for revenue purposes ?

A. Certainly.

4973. *Q.* You wish to recommend that these duties should be imposed on all these articles at the rates you have recommended ?

A. For revenue and for the protection of Indian cotton industry.

4974. *Q.* I should like to ask you on what basis you have worked out these percentages and whether in your opinion there is a data to show that these duties would afford adequate protection to these industries ?

A. We have simply based these for revenue purposes as well as on the market value of textiles and piecegoods, etc., in order to protect Indian mill prices against foreign prices and so on. We have advocated a higher import duty on cotton twist and yarn and cotton sewing and darning thread to check cotton going out of the country so that it might be consumed by the mills and handlooms.

4975. *Q.* You want the sugar duty to be doubled ?

A. Yes.

4976. *Q.* With what object ?

A. To protect the Indian sugar industry. We shall have more cultivation in India of sugarcane. We shall have to protect the industry against outside competition.

4977. *Q.* Will it not raise prices ?

A. To some extent it may.

4978. *Q.* The consumers will have to pay if the prices go up ?

A. It may affect them a little, but we want to protect our sugar industry.

4979. *Q.* Irrespective of cost ?

A. It may affect some, not all.

4980. *Q.* You want to impose a duty of 11 per cent. on aeroplanes ?

A. Yes, for revenue purposes.

4981. *Q.* You want to impose a duty of 33⅓ per cent. on silk goods, the object being t rotection or revenue ?

A. Revenue and Protection both.

4982. *Q.* Do you think that the duty will help the indigenous industry ?

A. Yes, because it affects the rich people and not the masses.

4983. *Q.* You would have an export duty on cereals, oilseeds and cotton of Rs. 2 a maund. With what object ?

A. To check too much going out of India. If there be any surplus that might be exported : in order to check export we must have a duty.

4984. *Q.* Your view is that there should be an export duty on the large quantity of cotton exported and that now a larger quantity of cotton is exported than the actual surplus ?

A. My view is that when surplus cotton is growing and we ought to sell it we must fix duty on that. At present there is no export duty on cotton. We produce a certain quantity, part of which is consumed in the country and the rest rported.

4985. *Q.* I wanted to ask you whether only the surplus is at present exported or something more than the surplus, necessitating India having to do with less than she requires ? Is it your opinion that we export more cotton than we ought to export ?

A. I have no objection to cotton being exported, provided the cotton industry is not starving. There is just now a movement in the country for the revival of the handloom industry and we want more cotton for that. To protect that industry we want the duty to check export.

4986. *Q.* You want more cotton to be retained in India by means of an export duty so as to bring down the price of cotton in India to help the Indian spinning and not the weaving industry and to protect it against machine made or the power loom industry ?

A. Exactly so.

4987. *Sir Maneckjee Dadabhoy—Q.* You recommend certain duties on cigarettes and other things ? Do you want the duty on them to be doubled ? Don't you think that if we take rash steps like that Government income will be considerably reduced ?

A. We want also to protect our tobacco industry in India.

4988. *Q.* Your idea is that you will thereby protect your indigenous tobacco industry ?

A. Tobacco is sufficiently growing in India. Madras supplies much tobacco and we want to protect that. That is the only way to protect it.

4989. *Q.* You would impose a duty on imported liquor ? You want Indian liquor to be consumed ?

A. My idea is to double the duty for the purpose of checking the bad habit.

4990. *Q.* Are you aware of the fact that the increased duty on liquor and cigarettes imposed last year has considerably diminished the revenue ?

A. I am not aware of that.

4991. *Q.* You say you would recommend a heavy duty on sugar ? Do you know that the sugarcane produced in the country is less than twenty times that of cane sugar imported from foreign countries ? Do you think even a double import duty would help the Indian industry in any way ?

A. My idea is that so far as the sugar industry is concerned India was self-contained at one time. We have got the industry in India and to revive that industry I think every facility should be afforded so that India can produce as much sugar as she requires. To that end Indian sugar must be protected against foreign import.

4992. *Q.* Have you an idea of the amount of cane cultivation necessary to produce 5 lakhs of tons of Java and other sugar imported into India ?

A. I have no idea. My personal opinion is that we have lost the industry.

4993. *Q.* Have you got sufficient land at present to cultivate sugar extensively to the extent you recommend?

A. We want only our requirements.

4994. *Q.* I think your idea of your requirements is very vague. It would be in my opinion detrimental to the interests of India as a nation to put any heavy duty on sugar. I want to learn from you how we can ?

A. My intention is to stop overstocking and artificially raising the price by making contracts with European firms and at the same time not buying the stuff. Thus a good deal of speculation is going on, whether in food stuffs or other articles. On the other hand we are ruining our industries.

4995. *Q.* You think there is an oversupply of sugar in this country ?

A. Yes, dumping is going on. There is a large stock in the country.

4996. *Q.* You recommend a duty of 33⅓ per cent. on silk piecegoods ?

A. Yes.

4997. *Q.* How will that affect the Indian silk piecegoods industry ?

A. It is generally used by the rich people.

4998. *Q.* Are we able to make silk in India ?

A. Yes, at Benares, Mirzapor, Murshidabad and few other places.

4999. *Q.* What proportion of the silk used do we manufacture in this country. Have you any idea ?

A. It is far less than the cotton piecegoods. I cannot give you an exact idea.

5000. *Q.* In your reply to Question No. 11, you say that you would put a protective duty on all imports ? Would you also put protective duties on articles that cannot be manufactured in India ? Would that be a sound policy ?

A. Mr. Khosla. Mr. Shri Ram has said all there is to be said on this question. I would qualify that statement by adding that they should be given a reasonable time of protection.

5001. *Mr. Mant—Q.* In your reply to Question No. 72 your Association says that an appreciable increase in the tariff may diminish the volume of imports, but will not reduce the value in certain cases? I do not quite understand. Prices of goods are determined by world-prices. How will the value be maintained?

A. The price has risen in other ways than by the Indian tariff. They brought up the cost of production in other countries, and the prices went up.

Q. So the rise in price is due to the increase in the price of goods manufactured abroad, and not to the Indian tariff?

A. I say that my answer was this. Suppose you put the 11 per cent. duty on it. Then it may decrease in volume. The volume may diminish, but actually the value of the goods will not diminish. It will go up.

5002. *Q.* Why will the value go up?

A. By imposing the duties.

5003. *Q.* You mean internal prices in India?

A. I do not mean that. I mean the volume will decrease. We will have to pay higher prices to the English exporter.

5004. *Q.* Why have you to pay the English exporter a higher price?

A. At the same time we want to protect ourselves because India is producing now much more than she was producing in 1914 or 1915. My experience from 1903, up to this time is that in 1902-03 there was not a single establishment selling Indian cloth. Now there is a large number selling them. We must protect our industry.

5005. *Q.* Why do you say that the value will be increased?

A. The value certainly will be increased. The times are so abnormal. It will go high. My idea is that for the next 3 or 4 years the price will remain high, though the volume may still remain the same.

5006. *Mr. Coyajee—Q.* India is the largest sugar producing country in the world?

A. Yes. I do not see why India should require sugar from other countries.

5007. *Q.* Is not India still the largest sugar producing country in the world?

A. Yes.

5008. *Q.* What is the present duty on sugar?

A. I do not remember it.

5009. *Q.* You propose to impose a 60 per cent. duty?

A. I think I should, because at present the Indian sugar which we are getting in the bazar is selling at 2 seers. After imposing 30 per cent duty we get only 2½ seers. I want more duty to save my industry.

5010. *Q.* In answer to Question No. 8 you say "The prices are bound to rise but the bulk of the population is not likely to be affected," and you propose heavy duties on sugar, tobacco, and piecegoods. Don't you think that these heavy protective duties will affect the masses to some extent by raising the cost of living?

A. I doubt it, because these things would not affect the masses.

5011. *Q.* In sugar, tobacco and piecegoods?

A. Certainly not so much. They have got their own industries which they will push up for themselves. There is sufficient sugar in India. It is only dumping that prevents business going on. We want to protect all these things.

5012. *Q.* Is sugar that is sold here cheap?

A. Yes. Therefore if you stop dumping, the goods of your Indian industries will be preferred. They will have more encouragement, and they will improve. Government is already protecting them against dumping of the goods into India.

(*Mr. Khosla.*)—Mr. Shri Ram said in his evidence that the agriculturist must suffer for the sake of the development of industries generally to some extent for a certain number of years, by getting lower prices to begin with for his sugar and other things.

5013. *Q.* It is said that the agriculturist of India has only one meal a day. If you do these things will he be able to get that one meal?

A. I think certainly. By promoting the industries of the country the agriculturists will get other things cheap, they will get better prices for other things.

5014. *Q.* In other words, the agriculturists must suffer for the industrialists?

A. Certainly on both sides it will be necessary in order to produce those things which are required for the whole of the country. And afterwards they will find every material necessary for India in India itself. By this protection, as I have said, you will give the agriculturists more work in their idle hours and improve their position under which they are not getting even a single meal.

5015. *Q.* It is advantageous to the industrialists as well as to the agriculturists?

A. That is what I meant.

Witness No. 32.

Mr. M. Sham Lal, Managing Director, Bharat Beopar Company, Ajmer.

Written statement, dated the 4th November 1921.

5016. *Q.* 1. We favour protection for the Indian manufactures.

5017. *Q.* 2. We believe that a regulated tariff would provide a suitable mode of taxation, provided of course the tariff is brought into force in connection with the customs. We oppose direct taxation in any form in India.

5018. *Q.* 3. We are sorry we cannot give an opinion on the subject of imposing a tariff for revenue purposes, as regards the change in the list of articles taxed, as no copy of the tariff has been supplied us. But we think that there should be no export duty on jute, indigo, tea, hides and skins, while a pretty heavy duty should be charged on export of all sorts of foodgrains. Cotton, wool and oilseeds should be charged moderately.

5019. *Q.* 4. Tariff should be based on a new policy altogether, modified according to the condition of the country.

5020. *Q.* 5. The present tariff policy has ruined most of the Indian industries and if it is continued for any further period, India will have no industry whatsoever.

5021. *Q.* 6. Under no circumstances any article manufactured in India and being that of the same type as the imported ones should be taxed. Even municipal octroi taxes should not be levied.

5022. *Q.* 7. We believe home manufacturers should be given protection over foreign manufactures by an imposition of different rates of duties. We trust when an excise duty is levied on imported articles, some protection should be given to the home manufacturers.

5023. *Q.* 8. If such duties be imposed, the price to the consumer would be raised, but we believe that the duties should be charged on the same articles which are manufactured both in foreign countries and India, so that the Indian articles will be able to compete with the foreign manufactures of the same type. It would therefore make no difference in prices to the consumer who would like to patronise the Indian industry.

5024. *Q.* 9. Yes. We think that the tariff should be so modified as to help the Indian industries by making the standard of prices between foreign manufactured articles and those of India similar. This will make Indian industries self-supporting and profitable ones. On the fostering of these industries, the real welfare, increase of revenue, improvement of the working classes and the cultivators and, in short, making the country richer and prosperous, depend.

5025. *Q.* 10. We believe that India will have to depend for some time to come on foreign countries for supply of a part of her needs, *e.g.*, machinery, chemicals and dyes, surgical instruments, scientific apparatus, pharmaceutical preparations, rubber goods, etc., etc.

5026. *Q.* 11. Yes. We favour the imposition of protective duties on all imported manufactures excepting machinery, motive power, agricultural, industrial, etc., chemicals, dyes, etc., scientific and surgical instruments, rubber goods, etc.

5027. *Q.* 12. We favour the protection of all industries in India.

5028. *Q.* 13. Yes, we want some fresh industries should be started with state aid in India. Loans, technical help, supervision of finances and guaranteeing sale of output and transport facilities and acquisition of suitable lands for industrial purposes, should be granted by all provincial departments of industries to all enterprising industrial concerns.

5029. *Q.* 14. We would like all industries to be protected until such time as they are able to compete favourably with the foreign industries of similar type.

5030. *Q.* 15. As mentioned in reply to Question No. 13, we want a special protection against foreign goods and manufactures. Capable Commissioners or Directors with special commercial and business experience should be directed to inquire into any claim preferred by industrialists and suitable help and protection be granted to deserving claimants.

5031. *Q.* 16. Yes. We wish the hand or home industries and in particular the cotton handloom industry should be maintained and further encouraged inasmuch as they are adapted to the conditions of the country and really form the backbone of the future prosperity of the country.

5032. *Q.* 17. There is a danger of the Protection leading to a combination among the protected manufacturers in order to profiteering but control of prices by standardising would be a remedy. It being done by a committee appointed in each of the provinces by the Government, the members being generally selected from the commercial classes with special reference to the formation of a Board consisting of manufacturers, agriculturists, export and import merchants and consumers.

5033. *Q.* 18. Yes. There is a possibility of the foreign manufacturers; and industrial firms starting to establish themselves in India. We have no objection if the British firms establish themselves in India and our attitude towards them would be favourable. But we oppose the principle of allowing any other foreign nations exploiting India.

5034. *Q.* 19. In India the protective system may lead to trouble between the producer and the manufacturer and between one set of manufactures and others. But we do not believe it would be difficult to find out a *via media* for adjusting such quarrels by a committee consisting of people whose interests are involved.

5035. *Q.* 20. It is wholly passed on to the consumer in a rise of prices.

5036. *Q.* 21. If the protective duty increases the price it will be a temporary one. There is every likelihood of a fall in the prices after some time without materially affecting either production or manufacture.

5037. *Q.* 22. Yes, so far as the consumer does not suffer from a rise of prices in the daily necessaries of life.

5038. *Q.* 23. Such necessaries of life as foodgrains, ghee and oil, pulses (dal) and all corns of foodstuffs which would sustain the bare existence should not be affected by a protective duty.

5039. *Q.* 24. Yes. The increase in the tariff rate may raise the cost of living in India, but as we are in favour of applying the tariff specially to all imported articles, with a few exceptions, and of imposing the duties on exports of foodgrains generally, we do not think the tariff would increase the cost of living to an Indian in any way.

5040. *Q.* 25. The foreign trade of India may suffer to a certain extent, but considering the possibility of the general improvements of the condition of the people, it can be ignored.

5041. *Q.* 26. Yes.

5042. *Q.* 27. Yes. We prefer special tariffs being applied to such countries from which India would receive similar treatment.

5043. *Q.* 28. Only in special cases and under special circumstances would it be necessary to apply the tariff in a modified form, when such a contingency arises.

5044. *Q.* 29. Please see replies to Questions Nos. 13 and 15. An organisation is necessary, but a provisional one mainly consisting of non-officials is preferred.

5045. *Q.* 30. Export duties should be imposed for raising revenue to a certain extent, but it should mainly go towards aiding the Indian industries.

5046. *Q.* 31. We consider the effect of export duties on the export traders to be injurious, but we want such export duties should be levied on all exportable merchandise excepting certain commodities mentioned in reply to Question No. 3, so as to protect Indian industries and Indian financial conditions.

5047. *Q.* 32. We have already mentioned that it would be advantageous to Indian industries and Indian people generally in imposing export duties on raw materials. It would have some effect no doubt on the producer of the raw material, but the cost of living being cheapened it would not materially affect production.

5048. *Q.* 33. Yes. We consider imposition of export duties on foodstuffs is a necessity with a view to develop the economic possibilities of the country. Such action will have no effect ultimately on the agricultural interests and on the quantity of foodstuffs produced.

5049. *Q.* 34. We do not consider any retaliation would be necessary, but if such a contingency arises, we would perforce retaliate by imposing further duties on imports and exports. Supposing a foreign country imposes heavy duty on machinery, we would impose fresh duties on commodities for which they are dependent on us, say, jute, tea, rubber and the like.

5050. *Q.* 35. Yes. We are favourable to the idea of Imperial Preference, but we would not like to have any such preferential duties being fixed either by the United Kingdom or the Colonies on foodgrains generally and we would like them to be protected by heavy export duties in India.

5051. *Q.* 36. Yes. We would like to favour the idea of preferential treatment to the United Kingdom only.

5052. *Q.* 37. India would gain from such a system. There is a likelihood of retaliation by foreign countries, but it can be ignored.

5053. *Q.* 38. All exports from India except foodstuffs and only such imports as machinery, chemicals, dyes, etc., should be protected by a policy of preference.

5054. *Q.* 39. We prefer to give preference in the case of goods for which India is likely to have to depend on other countries.

5055. *Q.* 40. Yes. There would be a rise of prices to the consumer.

5056. *Q.* 41. It would affect the balance of trade.

5057. *Q.* 42. The external trade may be affected, but the internal trade position would be better.

5058. *Q.* 43. We are interested in indigo manufacture as the proprietor of an indigo factory.

5059. *Q.* 44. Apart from its advantage in paying a decent profit, if there is no synthetic indigo in the market, it is a great helper in improving the soil conditions of the land in which it is grown, thereby enhancing the productivity of the land.

5060. *Q.* 45. It has proved its importance during the war and is generally used by the local dyers.

5061. *Q.* 46. There are good organisations and equipments in certain parts of India.

5062. *Q.* 47. It depends on English markets for sale.

5063. *Q.* 48. Foreign competition is in the production of the coal tar derivative of synthetic indigo. It is produced in Germany, America, England and Switzerland.

5064. *Q.* 49. The synthetic dye being cheaper than the natural dye, it gives advantage to the competing countries.

5065. *Q.* 50. We do not want any export duties.

5066. *Q.* 51. It will always be in need of Protection in the shape of financial and the like as well as purchase for Government purposes.

5067. *Q.* 52. No.
5068. *Q.* 53. No.
5069. *Q.* 54. No.
5070. *Q.* 55. No.
5071. *Q.* 56. No.

5072. *Q.* 57. Yes, it has conduced to increase the price of the dye, thus ruining it in competition.

5073. *Q.* 58. It is a raw material for dyers and calico printers and is consumed in large quantities.

5074. *Q.* 59. No.

5075. *Q.* 60. We prefer a system under which industries would receive varying amounts of Protection in accordance with the needs.

5076. *Q.* 79. We deal in cloth and hosiery.

5077. *Q.* 80. Increase of import duties generally enhances the prices of imported stuffs to the consumer.

5078. *Q.* 81. The case of woollen stuffs and hosiery generally, the demand was diminished by more than half as the prices went up.

5079. *Q.* 82. Our trade was affected in a general way.

5080. *Q.* 83. We deal mostly in Indian made articles. Hence it would not make much difference to us if varying rates of tariff are applied to the Empire and foreign countries.

Oral evidence, Delhi, the 13th December 1921.

5081. *President*:—You are the Managing Director of the Bharat Beopar Company, Ajmer?

A. Yes.

5082. *Q.* You are interested in indigo manufacture and are the proprietor of an indigo factory?

A. Yes.

5083. *Q.* In answer to Question No. 5 you say that "the present tariff policy has ruined most of the Indian industries, and if it is continued for any further period India will have no industry whatsoever." Will you please explain what you mean by that?

A. At present the tariff policy is simply based on revenue considerations and not industrial considerations. Of course when you take into consideration the question of the industries, we will have to change our tariff and fix the rates according to the various forms of industries.

5084. *Q.* I should say that the question deals with the present tariff policy, the tariff which is in existence, and it is believed in some quarters that though it is levied for revenue purposes, it does give some kind of indirect Protection to certain industries on which customs duties are levied. I want to know why and how you say that the tariff policy has ruined most of the Indian industries, and that if it is continued for any further period India will have no industry whatsoever. Why do you make that statement?

A. At present we have the indigo and sugar industries. If we change our tariff we will make these industries prosperous. Formerly there was a very good indigo industry in India. Now, of course .....

5085. *Q.* I will come to the indigo industry later. This is a general question. You say that the present tariff policy has ruined Indian industries. Can you give any instance in which any particular industry was ruined by the present tariff?

A. So far as the indigo industry is concerned.....

5086. *Q.* Has it been ruined by the tariff policy?

A. It is not simply due to the tariff policy, but, of course, it has somewhat broken down .....

5087. *Q.* I am afraid I do not follow you. In answer to Question No. 35 you say that you are favourable to the idea of Imperial Preference, but that you would not "like to have any such preferential duties being fixed either by the United Kingdom or the Colonies on foodgrains generally," and that you would "like them to be protected by heavy export duties in India"; then in answer to Question No. 36 you say "Yes. We would like to favour the idea of preferential treatment to the United Kingdom only." Again in answer to Question No. 37 you say that India would gain by such a system. Will you please explain how you expect that Imperial Preference will result in a gain to India?

A. In some cases we will show preference in our export duties, and those countries will show preference to us in their import duties.

5088. *Q.* Please explain it a little more fully, because I have not been able to follow exactly your replies to these questions. If you like you may take your answers to Questions Nos. 35 to 39 together, in which you say that you favour Imperial Preference, that that system would result in a gain to India and that all exports from India except foodgrains and only such imports as machinery, chemicals, dyes, etc., should be protected by a policy of preference. I would like to have a full explanation of what was passing in your mind when you answered these questions.

A. We are at present unable to manufacture machinery, chemicals, dyes, etc., and we have to depend upon other countries for these articles. We want preference for them of course.

5089. *Q.* What do you understand by preference?

A. We want some protective duties or rather exceptions to the general tariff.

5090. *Q.* Exceptions in favour of India or of Great Britain?

A. In favour of India of course.

5091. *Q.* That is to say, you want Great Britain to give preference to India?

A. Here of course in our import duties we want to give preferential rates.

5092. *Q.* That is to say you will admit the manufactured goods made in Great Britain into India at a lower rate of customs duties than you levy upon Germany, France or America?

A. Of course when you want Imperial Preference you will have to do it.

5093. *Q.* I am not able to make out what is passing in your mind. If you charge lower rates on manufactured goods imported from Great Britain and higher rates on goods imported from foreign countries, do you think that India will gain by it?

A. Machinery is generally imported from Great Britain. We have first of all to lower the rates of these things, and then our manufactures will be cheap.

5094. *Q.* What effect will Imperial Preference have on prices in India? Have you considered that?

A. Suppose we import machinery from Great Britain and we import the same thing from Germany or America. There is the 11 per cent. duty. If we have 5 per cent. duty on machinery from Great Britain and 11 per cent. duty, on those from Germany or America, then the articles manufactured by England will be cheaper.

5095. *Q.* Who pays the import duties, the people of India or the manufacturers?

A. Import duties are paid by the Indian merchants.

5096. *Q.* What will be the effect on prices in India of these preferential rates?

A. The rates will be cheaper.

5097. *Q.* How?

A. The cost price is less, so prices will be cheap.

5098. *Q.* Don't you think that you will exclude other countries and the resultant competition from those countries reacting on prices?

A. We want Imperial Preference.

5099. *Q.* I am afraid I do not follow you. You also say that you deal in cloth and hosiery. I am very much interested in what you say about the indigo factory which you own. You can give us useful information as to how you wish the indigo industry to be supported. The indigo industry has had to meet very severe competition with the artificial synthetic dyes. What has been the effect on the industry of this discovery?

A. In the United Provinces formerly there were about 10 or 12 factories. Now there is only one in existence. Such is the case in Bihar also.

5100. *Q.* That is very interesting. There were in the United Provinces 12 factories?

A. More than 12.

5101. *Q.* There is only one now?

A. Yes.

5102. *Q.* In Bihar?

A. Most of the factories have been ruined, but I do not exactly know the position there.

5103. *Q.* In consequence of this competition?

A. Yes. In consequence of the synthetic dyes.

5104. *Q.* With regard to the one factory that you say is now left, is it able to stand that competition and work successfully?

A. That depends upon the cultivation. We have got our own land, so we have cultivated indigo ourselves. In that case if we do not gain anything we do not lose much, we have simply to get it to the factory.

5105. *Q.* Your agricultural profits are lumped together with your manufacturing profits, and therefore you are able to stand. Otherwise you would not be able to stand?

A. No.

5106. *Q.* Do you ask for any special measures to start and protect the industry?

A. Of course, I want special measures.

5107. *Q.* I would like to know what you want.

A. We do not want any export duties on indigo.

5108. *Q.* But I understand that the indigo that you manufacture is all consumed in India. Do you export any of your stuffs?

A. We send it to Calcutta from where it is exported.

5109. *Q.* It is exported?

A. Yes.

5110. *Q.* What is the rate in the Calcutta market?

A. That depends upon foreign purchases.

5111. *Q.* There is no export duty now?

A. There is none now.

5112. *Q.* You don't want any other kind of Protection?

A. No.

5113. *Q.* In answer to Question No. 51 you say "it will always be in need of Protection in the shape of financial and the like as well as purchase for Government purposes?

A. At present in India it is used for woollen articles. If Government patronises it I think the manufacture of indigo can be continued.

5114. *Q.* But you have not considered any special form of protection that your industry needs?

A. No. I have not considered it.

5115. *Sir Edgar Holberton.*—How long have you been in the indigo business, including your family?

A. I have got that factory since 1917. I am in charge of it since that time. Before my father, my

grandfather was in charge. This factory is in existence for the last 20 years.

5116. *Q.* I suppose at the moment when it was started it was paying very well ?

A. Yes.

5117. *Q.* It was ruined by the synthetic indigo ?

A. Yes.

5118. *Q.* How many people do you employ ?

A. I employ about 100 persons.

5119. *Q.* You have got them now ?

A. Yes.

5120. *Q.* Did you employ a more or less number before ?

A. It depends on the produce. If we have got good produce we employ more. If our produce is small we employ a less number of people.

5121. *Q.* This is an instance of an industry of long standing in the country which has been ruined ?

A. Yes. It is an old industry in India.

5122. *Q.* You cannot see any method by which Government could help it except by their buying your indigo ?

A. Buying the indigo or by some financial help regarding assessment or remission of land revenue and irrigation charges. In that way it may be possible to sell it cheap.

5123. *Q.* You told the President you only wanted Government help in purchasing ?

A. I want financial help.

5124. *Q.* I do not think the Legislative Assembly would grant financial help to an industry which cannot stand on its legs ?

A. Of course it is true.

5125. *Q.* Is there any alternative of turning your land to cultivation profitably ?

A. We want the sugar industry if the indigo industry is not prosperous.

5126. *Q.* You say that the indigo trade is ruined, but have you not thought of turning your plant to the production of sugar ?

A. We are thinking of it.

5127. *Q.* Would your indigo plant be of any use for making sugar ?

A. No.

5128. *Q.* You have to scrap the whole of your machinery?

A. Yes.

5129. *Q. Mr. Narottam Morarjee.*—Do you want Government to buy your indigo ?

A. Yes.

5130. *Q.* How much do they consume ?

A. They can consume to a large extent. In Ajmer they require about 50 maunds a year.

5131. *Q.* But can you give a definite idea as to how much consumption there is outside the Government departments ?

A. No.

5132. *Q.* What is your annual output ?

A. About 150 to 200 maunds a year.

5133. *Sir Montagu Webb.*—In answer to Question No. 5, you say that the present tariff policy has ruined most Indian industries, but I understand from your answers that the indigo industry has been ruined by the competition of synthetic indigo and not by the tariff, is that so ?

A. I was under the impression that the present tariff was imposed simply for revenue purposes and that it had no industrial consideration in view.

5134. *Q.* My question is whether you think that your industry or factory has been ruined by the tariff ?

A. I do not think that.

5135. *Q.* Can you tell me any other industry that has been ruined by the tariff ?

A. Hand industries, of course.

5136. *Q.* In answer to Question No. 1, you say you are a protectionist, but you have not yet told the Commission how any policy of Protection can help the indigo industry. I should like to know why you are a protectionist if it cannot do any good to your industry ?

A. We are not competent enough to compete with the foreign countries in our market ?

5137. *Q.* Does this refer to indigo only ?

A. Everything.

5138. *Q.* I only want to ask about indigo with which you are very familiar.

(No answer.)

5139. *Q.* Then I notice that in answer to Question No. 79 you say you deal in cloth and hosiery. Can you tell me how a policy of Protection will help your dealings in cloth and hosiery ?

A. If we get protective duties on cloth and hosiery, we will be able to help our Indian industries.

5140. *Q.* I understand you are not a mill-owner. You are a trader in cloth and hosiery. How will you make more profits in the trade in cloth and hosiery by a policy of Protection ? I want to confine you to your personal experience.

A. We generally deal in goods made in India. So we want Protection for those goods.

5141. *Q.* That will enable you to deal more in those goods ?

A. Yes.

5142. *Mr. Coyajee.*—You have experience of agriculture. Now in answer to Question No. 3 you say "But we think that there should be no export duty on jute, indigo, tea, hides and skins." Do you think that these articles cannot bear an export duty ?

A. They have an export duty of 15 per cent. on hides and skins, and the hides trade has suffered a good deal now-a-days. We do not want export duties on these goods so that these things may be easily saleable in the foreign markets.

5143. *Q.* I quite agree with you about indigo, hides and skins. But why do you say that jute cannot bear an export duty ? Surely that is a monopoly of India ?

A. There is a great demand for jute in America and elsewhere. If there is no duty on the jute goods, they can be easily sold in the foreign markets and the rates of the shares of the mills that are going down now will rise up and the mills will be prosperous.

5144. *Q.* Do you think our foodgrains can bear a very heavy export duty ? If the producer of the hides and skins cannot bear a duty why should the producer of foodgrains suffer ?

A. Because we are not able to have our foodgrains in the country. If there had been a heavy export duty, the exports would have been less.

5145. *Q.* You want to restrict the exports of foodgrains ?

A. Yes.

5146. *Q.* In the matter of cotton why do you want export duties ?

A. I want export duties so that a large proportion may be consumed in the country and only the surplus may be exported.

5147. *Q.* Then coming to the indigo question, it has been suggested by the Agricultural Department that the use of phosphates will have a great influence in supporting the indigo industry. Have you tried it ?

A. A land in which indigo is planted gives a good harvest of wheat.

5148. *Q.* Have you tried it ?

A. With great success.

5149. *Q.* Do you think that even with the use of phosphates, the natural indigo will not be able to compete with the synthetic stuff ?

A. Yes.

5150. *Q.* And you do not want an import duty on synthetic indigo ?

A. We want some import duty, of course.

5151. *Q.* What is the percentage of locally made indigo to the total requirement of the country ?

A. About 20 per cent.

5152. *Mr. Seshagiri Ayyar.*—When you say "We favour Protection for the Indian manufactures" in answer to Question No. 1, you are not speaking of the indigo industry alone, but of the general condition of the country and the manufactures in general throughout the whole of India ?

A. Yes.

5153. *Q.* In answer to the question about the handloom industry you say that you would encourage it. Could you explain how you would do it ?

A. There should be no excise duty on the cotton yarn..

5154. *Q.* You are speaking about the countervailing excise duty of 3½ per cent. You say that if the excise duty on Indian yarn is removed, then the Indian yarn would be cheaper ?

A. Yes.

5155. *President.*—There is no excise duty on yarn. It is on piecegoods.

5156. *Mr. Seshagiri Ayyar.*—So that would be of no use. Of course, you would certainly not be in favour of any duty on foreign yarn ?

A. We would have an import duty on foreign yarn. We want only our own yarn to be manufactured.

5157. *Q.* How would you encourage the handloom industry thereby ?

A. We want an import duty, so that we may be able to turn out yarns from our own mills and hand spinning machines.

5158. *Q.* Do you think it will help the handlooms ?

A. Yes.

5159. *Q.* A regards fastness of colour between the natural indigo and the synthetic indigo is there not a considerable difference ?

A. The natural indigo is more fast.

5160. *Q.* Especially as regards the clothes for women, they always go in for natural indigo and not for synthetic indigo. That is the experience in our parts. Is that also the case in your country ?

A. Yes.

5161. *Q.* You say that if indigo is grown in the soil, it fertilises he soil. I am an agriculturist, but our experience is that by growing indigo you take away the richness of the soil, and next year you won't get as much paddy as it would usually produce.

A. It gives a good sort of manure for wheat. In our villages the agriculturist cultivates it as a sort of manure, even if we have no factory.

5162. *Mr. Rhodes.*—The indigo trade, I understand, is not absolutely dead, but is in a very bad condition ?

A. Yes.

5163. *Q.* That is all due not to a question of quality but a question of price ?

A. Yes.

5164. *Q.* Therefore, your only chance of competing with synthetic dye is to produce as cheaply as possible ?

A. Yes.

5165. *Q.* If you impose an import duty it will increase the cost of sugar, tobacco, iron machinery, piecegoods, etc. Therefore if you have to pay higher wages, because your men have to pay higher prices for tobacco, sugar and piecegoods, won't that increase your cost of production ?

A. I do not think so.

5166. *Q.* You are not afraid that if there is general Protection you will be still less able to compete with German synthetic dye ?

A. But wages will not be increased if there is increase in the price of sugar, tobacco, etc.

5167. *Q.* If people have got to pay more for sugar and other things, they won't demand more wages ?

A. Yes.

5168. *Mr. Mant.*—I have only two questions. You say in answer to Question No. 47, that your indigo depends on the English markets for sale. Is there not a market for indigo in China and the East ?

A. I have got no personal experience.

5169. *Q.* The only other question is about your answer to Question No. 57. You were asked, would the industry suffer in any way by an export duty ? You say "Yes, it has conduced to increase the price of the dye, thus ruining it in competition." You are referring, I presume, to the export cess which is imposed on indigo for the benefit of the trade, to be used as a fund for research. As far as I know there is only a small export cess, a rupee a maund, I think and it is not called an export duty, and that it is used as a fund for research. You thought there was an export duty on indigo ?

A. Yes.

5170. *Sir Maneckjee Dadabhoy.*—Even if Protection is given to indigo, is it possible that it can compete with the synthetic dye ?

A. The synthetic dye is generally used for cotton dyeing purposes ; the natural indigo is used for woollen goods, because it gives a good fast colour.

5171. *Q.* But the woollen goods manufactured in India are extremely small in quantity ?

A. It is so.

5172. *Q.* It would not much benefit by Protection ?

A. It would not.

5173. *President.*—Do you know what is the total production of indigo in India ?

A. I do not know that.

Witness No. 33.

Rai Sahib M. RAM BILAR SARDA, Municipal Commissioner, Ajmer.

Written statement, dated the 26th October 1921.

5174. *Q.* 1. I generally prefer free trade but for a backward and commercially down-trodden country like India Protection on certain articles is necessary until it is able to hold its own against the most advanced and favoured countries. For instance, grain and cotton to the extent of 2 years' consumption to meet famine contingencies should always remain in the country. Any amount over this may be exported. Tehsils in consultation with the headmen of the villages to regulate storage and export. Customs duty on a moderate scale so as not to kill the trade be imposed both on export and import for the purpose of obtaining revenue.

5175. *Q.* 2. Direct taxation is always unpopular, most costly to recover and not free from corruption.

5176. *Q.* 3. The principle of a tariff is most suitable for India but there should be a change in the list of articles to be taxed and the rate of taxation. The broad principle should be that the articles of necessities of life, medicine, education, etc., may be taxed as lightly as possible as they have to meet a further taxation by the local Municipal bodies. The revenue of the state may be increased by bringing the uncultivated land under cultivation and establishing industries.

5177. *Q.* 4. The tariff should be revised on the principle of necessity and luxury.

5178. *Q.* 5. The existing tariff has killed the Indian cottage industry and has not allowed the mill industry to expand according to the demand of the country. If the present policy will continue there would be very little advancement and no hope for cottage industry, which is necessary for a poor country like India.

5179. *Q.* 6. No excise duty should be levied on articles manufactured in India to encourage industries and to enable her to compete successfully with other countries.

5180. *Q.* 7. No.

5181. *Q.* 8. If excise duty will be levied the consumer will have to pay higher prices.

5182. *Q.* 9. Yes. The unemployed will find employment. The cost of living will be cheaper. Indian capital will have more favourable use. It will bring general prosperity and thereby the nation will be happy and contented.

5183. *Q.* 10. India will have to depend on foreign countries for such articles the raw material for which is not available in abundance at present in this country and which consequently can be manufactured much cheaper in foreign countries. For instance, articles made of tin, gold and silver, silk, kerosine oil, medicine books, machinery, clocks and watches, scientific instruments, etc., etc.

5184. *Q.* 11 and 12. Those articles which are largely manufactured in India, or which can be manufactured if foreign competition is lessened. It will tend to cheapen the cost of living.

5185. *Q.* 13. Yes—on the principles of cheap living.

5186. *Q.* 14. For all industries indigenous to India.

5187. *Q.* 15. No bounties, etc., are necessary but tax should not be levied.

5188. *Q.* 16. Hand industries especially cotton and silk loom industries are necessary for an agricultural and purdah-ridden country like India.

5189. *Q.* 17. Yes, there is a danger of combination among the protected manufacturers and they should fix prices in such a way as not to draw more than 25 per cent. profit.

5190. *Q.* 18. If British or foreign industrial firms establish themselves in India they may be welcomed but they should not have special favour as in the case at present. European as well as Indian firms should be treated alike.

5191. *Q.* 19. Producers of raw material may not like the duty on export but in the interest of the country at large the private interest of the minority should give way but at the same time the producers of raw material should not entirely be left at the mercy of the manufacturers and they may not have an advantage of more than 25 per cent. over the foreign manufacturers of the same class of article in the purchase of raw material.

5192. *Q.* 20. When an import duty is imposed on an article, it does affect the consumer if he buys that foreign article ; otherwise he is gainer by the use of Indian manufactured article.

5193. *Q.* 21. It will not be permanent.

5194. *Q.* 22. Yes.

5195. *Q.* 23. Yes ; all articles of food, clothing, medicine, sanitation and education.

5196. *Q.* 24. An increase in the tariff would not tend to increase the cost of living as far as the (*a*) industrial wage-earner (*b*) the agricultural wage-earner are concerned, but

it may affect the middle classes who use the foreign made articles in large quantity.

5197. *Q.* 25. By the policy of Protection the foreign trade of India would decrease and the general commercial position and prospects of the country would increase and in the long run would bring peace and prosperity to the country.

5198. *Q.* 26. No.

5199. *Q.* 27. No.

5200. *Q.* 28. No.

5201. *Q.* 29. No special organisation necessary, the Department of Commerce and Industry may have the control.

5202. *Q.* 30. The function of export duty besides raising the revenue should be the improvement of industries and technical education.

5203. *Q.* 31. Export duties generally decrease export trade but in the case of articles which form necessity of life and for which there is no other competitor the trade will not suffer.

5204. *Q.* 32 and 33. It is advisable to impose export duty on such raw material which is used in the manufacture of articles forming necessity of life such as grain, cotton, hide, butter, oils, etc. The fear that the men will produce less is groundless, as there would be no total prohibition. All will be free to export after the quantity necessary for the needs of the country is kept. It would give an impetus to large cultivators so that they may have an opportunity of exporting the material if they produce over and above the quantity required from them.

5205. *Q.* 34. If a foreign country imposes an import duty on an Indian manufactured article then in retaliation an export duty on that Indian raw material which that country uses may be imposed.

5206. *Q.* 35 to 42. The policy of Imperial Preference would not be advantageous to India as at present it is not a manufacturing country and hence no appreciable trade. It would frustrate the aim of industrial advancement if it is adopted either as a whole or in part.

5207. *Q.* 43. I am interested in gold and silver laces as a proprietor of a firm and in printing as the President of a charitable big steam printing press. In cloth manufacture as a patron of a relation having two cloth stores and also as a Chairman of the Rajputana Swadeshi Stores Company, Limited, Ajmer, Head Clerk, Carriage and Wagon Building Department, Bombay, Baroda and Central India Railway, Ajmer.

5208. *Q.* 44. There are natural advantages for the industry in India as raw material is at hand, labour is comparatively cheap and the freight and middleman's charges are *nil*.

5209. *Q.* 45. Cloth industry is essential to the national security and economic prosperity of India.

5210. *Q.* 46. As I have no experience of foreign countries, I can make no comparison.

5211. *Q.* 47. Lace industry solely depends on India.

5212. *Q.* 48. There is competition from France, Belgium and England in the Indian market.

5213. *Q.* The competition extends to particular classes of goods.

5214. *Q.* 49. The competing country has an advantage of exchange.

5215. *Q.* 50. The lace industry being small does not require special consideration but the cloth industry does for which the persons directly in touch with the manufacturers can furnish the required details

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Oral evidence, Delhi, the 13th December 1921.

5216. *President.*— In answer to Question No. 1, you say that you generally prefer free trade " but for a backward and commercially down-trodden country like India Protection on certain articles is necessary until it is able to hold its own against the most advanced and favoured countries." Your view, as I understand it, is that you would give Protection for the development of industries which can successfully stand in competition in course of time. Am I right ?

A. Yes.

5217. *Q.* In the latter part of your answer to Question No. 3, you say : " The revenue of the State may be increased by bringing the uncultivated land under cultivation and establishing industries." How much land do you think there is in India still uncultivated ?

A. I personally do not know other parts of India. Ajmer-Merwara is most backward being rainless. For three years successively we get no rain and in the fourth year we get rain. But I have got some relations in other parts of the country : they say that if the irrigation system and the system of raising water by machinery or such other means are introduced then millions of acres can be brought under cultivation.

5218. *Q.* On a basis of economic production ? Do you think that the cost of these artificial means of providing water for cultivation will not be greater than the result of cultivation ?

A. In the long run they will prove cheaper.

5219. *Q.* Have you worked out any statement showing what the result will be ?

A. No, Sir.

5220. *Q.* I should be glad if you would kindly explain what you mean by your answer to Question No. 5. We are dealing with the existing tariff and the results of the existing tariff.

A. In my opinion duties should be heavier on imported goods.

5221. *Q.* On particular goods or on all goods ?

A. Piecegoods. Other articles of luxury should be taxed as heavily as possible and articles necessary for life should not be. For instance, we have no import duty on wheat, but if we impose an excessive import duty on wheat we may not be able to get, as we have got at present, the millions of tons of wheat from outside. We may put duties on all articles of luxury in order to increase our revenue. If you do not mind, I would like to emphasise one particular point in my evidence, *viz.*, that so far as grain and cotton is concerned, two years' supply should remain in the country at any time.

5222. *Q.* Do you think that if you keep such large stocks, the quality will not deteriorate ?

A. Not if we introduce improved methods of storing grain, as they have done in America, and Australia.

5223. *Q.* Won't that add to the cost ?

A. It may. We now get wheat at 4 seers a rupee and people are dying for want of food. I think the expense is worth incurring to conserve our food-supply.

5224. *Q.* You say " The existing tariff has killed the Indian cotton industry and has not allowed the mill industry to expand according to the demand of the country. Can you explain this ?

A. It is in this way : We have not put our duty on such a high scale as to protect our industries. If we put higher duties on piecegoods and other things then these cottage industries will be able to compete with the foreign imported articles.

5225. *Q.* Let us clearly understand it. The heavier import duty on imported piecegoods would enable the handloom industry to compete with the imported piecegoods, but will it also enable it to compete with the piecegoods made in power looms in India ?

A. The production of the mills in India is not equal to the demand in the country and the handlooms can meet this deficiency.

5226. *Q.* Therefore the handloom industry will be supported indirectly ?

A. Yes.

5227. *Q.* Will you please explain what you mean by the sentence " special favour as is the case at present " in your answer to Question No. 18.

A. If any article is required for Government the contract is generally given to European firms. So in this way they are favoured.

5228. *Q.* Is this the only way in which they are favoured, or are there any other ways ?

A. There are other ways. Wherever Europeans are in charge they prefer to employ their own men.

5229. *Q.* Have you got any specific instance to show that ?

A. For instance, in railways when they want articles of local manufacture, they generally go to the European firms. I do not mean they go exclusively, but generally.

5230. *Q.* That is to say, the supplies for railways are obtained from European firms ?

A. Yes.

5231. *Q.* As regards your answer to Queston No. 20, would not the Indian manufactured article also rise in price as the result of the import duties ?

A. It may to some extent, but not to the same extent. So comparatively he would have to pay less and he is a gainer.

5232. *Q.* I gather that what you mean by your answer to Question No. 24, is that the tariff being levied on foreign made articles, it would not affect the industrial wage-earner and the agricultural wage-earner, because they do not use those goods ?

A. Yes.

5233. *Q.* Have you got anything to show that these people use no foreign goods ?

A. I cannot say that they do not use it at all. For the most part they use coarse cloth, and every thing which Indian industries manufacture. They use some imported goods only on such occasions as marriage, etc.

5234. *Q.* Therefore they will not be affected to any appreciable extent ?

A. No.

5235. *Q.* You say, in reply to Question No. 47, that the lace indutry solely depends on India and in an answer to Question No. 48 that there is competition from France, Belgium and England. Can you give us some details as to what competition you have from those countries ?

A. For instance *Badla* or Lametta comes in some quantity from Lyons, France, and their agents are Hope Pruddhome and Co., Madras. They send out to all the cities in the north. Sometimes they compete successfully in Lametta embroidered lace and other things. Still the industry is able to hold its own, and most of it rests on exchange. When silver and gold is cheap, the industry flourishes, and if they go high, it suffers.

5236. *Q.* In answer to Question No. 5, you say you do not want any special protection for your industry ?

A. No.

5237. *Sir Maneckjee Dadabhoy*—*Q.* In answer to Question No. 15, you say that "no bounties, etc., are necessary, but tax should not be levied." I do not understand that.

A. At present excise duty is levied on Indian manufactured cloth. In my opinion that should not be.

5238. *Q.* You do not want any anti-dumping tax ?

A. No. My point is that no excise duty should be levied.

5239. *Q.* You are not against any anti-dumping legislation ?

A. There should be no legislation.

5240. *Q.* How would you then protect against dumping ?

A. I think no dumping can take place.

5241. *Q.* You think that at present there is no dumping of any kind ? Are you aware that during the years of war and after the war Japan dumped a lot of piecegoods in India ? They brought piecegoods and sold them much cheaper here. Do you remember that ? Do you understand what is meant by dumping ?

A. I think it is stocking of large quantities of goods and selling at the price they think proper.

5242. *Q.* I will leave that. In reply to Question No. 17 you say that " There is a danger of Protection leading to combination among the Protected manufacturers " and that the only way to prevent that is to make them draw not more than 25 per cent. profit. Is this practicable ?

A. This can be arranged in this way, that when they try to make more than 25 per cent. profit our duty should be arranged in such a way that the foreign market should be able to compete with them.

Witness No. 34.

The UNITED PROVINCES CHAMBER OF COMMERCE, Cawnpore.

Written statement, dated the 28th November 1921.

5243. *Q.* 1-8. In the opinion of the Chamber the policy of free trade has not been in the best interests of India. This policy which has been adhered to without the least regard to the wishes of the people of this country and, of late years, of even the Government of India, has been an important factor in the decline of indigenous industries, and stands as an almost insuperable obstacle in the way of an industrial revival.

It will serve no very useful purpose to go into the question as to why India has been forced to remain an unwilling worshipper at the shrine of free trade. May be, it has been due to England's honest, though mistaken, belief that what is good for her is also good for India. Or, perhaps, there is truth in the popular view held in this country, shared by many modern economists of England herself, that India's good did not much trouble those who had in their hands the shaping of her fiscal policy, and that it was Lancashire and not India that loomed large in their mental horizon. That England was a highly protectionist country before her industries were fully developed, that Indian textile manufactures imported into England were completely shut out by means of prohibitive duties, but that, when England came to be the exporter instead of importer of cotton goods in relation with India, even the nominal revenue duty, levied by the latter, was counter-balanced by the imposition of an excise duty on indigenous manufactures—these and similar other facts lend colour to the latter view. But be that as it may, the point is that the free-trade policy has been inimical to the growth of Indian industries and must be replaced by one better calculated to aid and foster the country's infant and nascent industries.

Free trade may be admirable as an abstract theory and an ideal, but for its practical application it presupposes certain conditions that are non-existent. It takes no stock of national sentiments, and international prejudices. 'Free-exchange' and 'International division of labour' are devoid of meaning so long as all the industrially great nations of the world, with the solitary exception of England, are highly protectionist. The conversion of England also to protection is imminent—in fact has already begun. The tariff reformers are fast getting the upper hand there. The anti-dumping bills have been placed on the statute book. Recent factory and labour legislation and the growing cry for nationalisation of this and that industry have reduced such free trade doctrines as '*laissez faire*' 'individual freedom,' and 'free competition' to mere shibboleths.

The Chamber is, therefore, against the fiscal policy of India being based on orthodox free trade principles. Nor would it recommend its being replaced by a rigid wholesale policy of Protection. It favours the adoption of what has come to be known as a 'scientific tariff.' The case of every industry, and of every article of import and export, should be considered individually and on its own merits, and Protection afforded where necessary. There should be no blind allegiance to any theory or slavish imitation of any existing 'system,' and it is necessary to proceed with great caution. The amendments made in the tariffs during and since the war are steps in the right direction. But these have been made in the name of revenue. What is wanted is a plain acceptance of the principle that, as and when necessary, for the protection of her industries, India will unhesitatingly levy import and export duties and that in so doing no extraneous considerations will be allowed to come in, the good of India being the the first and last consideration.

5244. *Q.* 9. Yes, the tariff should be framed primarily with the object of fostering Indian industries. The advantages that will accrue are manifold. Such a tariff would obviously take the form of higher import and export duties, which would incidentally go to increase the public revenues. This addition to revenue would be most welcome in view of the growing public expenditure. The development of industries would decrease the pressure on the land. The Famine Commission of 1880 recommended the fostering of industries to provide diversity of occupation to the population, which at present is overwhelmingly agriculturist. Flourishing industries would increase the national wealth of the country and its productive powers. The vast economic loss, involved in the export of raw materials, a large portion of which could be manufactured in this country, and import for the most part of manufactured goods only, would be avoided. India would be uplifted from the present

humiliating position of economic helplessness in the matter of articles of every day use. Her natural instinct for economic independence and self-reliance would be gratified.

5245. *Q.* 10. If by 'independence' is meant that India would cease at any time to import manufactured articles from other countries the reply is in the negative. The development of industries does not necessarily mean the falling off of imports of manufactured goods. If, however, 'independence' means that India would be capable of manufacturing herself the articles, for which at present she entirely depends on foreign countries, the Chamber certainly looks forward to India becoming in time independent of most of her requirements of manufactured goods, though not all. It is difficult to say in respect of what particular goods she would *for all time* have to depend on other countries. The country is extremely rich in its natural resources, some of which still await development. But judging from things as they stand at present, it may be said that for a long time to come India will probably have to depend on other countries for certain articles such as colours, dyes, chemical materials and machinery.

5246. *Q.* 11. The answer to this question has already been given in answer to Question No. 1. Only such imported manufactures would from time to time be taxed, in respect of which it is desired to give protection to the indigenous industries.

5247. *Q.* 12. It is not possible to give a list of the industries off-hand. In answer to Question No. 29 an organisation is suggested, which will examine thoroughly the case of every industry for the protection of which a case is made out. As regards the principles on which this selection is made, various considerations would determine the selection. Industries which are already in existence, but which are unable to hold their own against imported articles, not because there is any natural or nherent disadvantage attaching to their being carried on in this country, but on account of the cheapness of the foreign articles, through the dumping or low-export-prices policy of the exporting country, would be afforded protection. Industries which have not passed the 'infancy' stage but which, with some measure of support through Protection, can reasonably be expected to stand on their own legs, and, in time, face free competition with foreign countries, would also be given Protection. Then there may be certain industries, which are non-existent in the country at present, but which, on account of their great national importance, it may be advisable to establish and foster in the country, would also come in for special treatment. What particular industries satisfy the tests briefly stated above would, as has already been said, have to be carefully examined in detail. But the names of a few industries such as sugar, glass, paper, leather, matches, iron, steel and tobacco may be specially mentioned.

5248. *Q.* 13. This question has already been answered under Q. No. 12.

5249. *Q.* 14. As a rule Protection would be afforded only to such industries as are likely after a period to face foreign competition without such protection. No uniform period for all such industries would be feasible. While one industry may be able to stand on its own legs in say 10 years another may need protection for double that period. If contrary to expectations, any protected industry is found indefinitely to need protection, without reasonable prospects of becoming independent, the protection can be withdrawn. To afford protection to industries which are likely to need it for ever would constitute an economic waste; though in very rare cases it may be advisable to make an exception in case of some industries of extreme national importance.

5250. *Q.* 15. Yes. As regards the means of ascertaining facts India should have consuls or trade representatives in all important manufacturing countries of the world. It should be a part of the duty of these representatives to keep the Government of India fully informed about the tariff policy of these countries.

5251. *Q.* 16. The hand industries maintain an important position in the industrial India of to-day. But it is doubtful whether they will for long be able to face the competition of the power mills. Such of these cottage industries as involve artistic skill, which cannot be supplanted by machinery, may be expected to escape decay. Also there are some other industries, notably the cotton hand loom industry, which supply useful subsidiary occupations to agriculturists. These are carried on in the homes of these agriculturists and their women and children lend a helping hand. Cottage industries may also form useful adjuncts to power mills by carrying out certain preliminary processes of manufacture which can easily and economically be carried out by manual labour. Subject to the above, the cottage industries cannot, in the opinion of the Chamber, long maintain an independent existence in the face of competition of the power-worked machinery.

5252. *Q.* 17. It is quite possible that such combinations may arise and may attempt to maintain a quasi-monopoly price. But such combinations are not unknown in free trade England and are not necessarily the result of a protective policy. They are the inevitable outcome of modern industrialism. It is not denied that Protection may tend to make such combinations easier. But India will not be the first country to be confronted with the problem or to suffer from this disadvantage. Besides, the combinations can be defeated by state action in the shape of control of prices or threat of withdrawal of protection.

5253. *Q.* 18. Yes, there is a likelihood of foreign capital being attracted. It may even happen that for a period of time the benefit of the protective duties may be reaped more by foreign than Indian capital. But the Chamber would accept this disability. The position would not be altogether without its advantages. Though the profits would go to the foreign capitalists the labour employed would, for the most part, be Indian. Besides, Indian capital would follow where the foreign capital pioneers the way. In course of time it would also be possible, if considered advisable, to impose conditions on the foreign capital seeking investment here, such as statutory obligations to open share lists to Indians. Several European nations have prohibited the exploitation of their mineral resources by aliens. India can impose similar restrictions.

5254. *Q.* 19. Complications of this nature may arise but it should not be difficult to adjust them. They are being satisfactorily adjusted elsewhere; in India the problem would present even less difficulty, as she is most rich in her own raw materials. The tests that would be applied in affording protection to one industry while refusing it to another, would also be applied in adjusting such conflicts of interest. With regard to the specific illustration given *i.e.*, the conflict between the spinning and weaving industry, no difficulty is anticipated. India imported only 38 million lbs. of yarn in 1918-19 and exported 64 million lbs., the imports consisting mostly of higher counts, which, owing partly to the dearth of long-staple cotton in India and partly to adverse climatic conditions, could not be spun in India. Thus it would seem that the spinning industry does not stand in need of any special protection. With the increasing growth of long-staple cotton it should be possible to spin the higher counts in India, the difficulty presented by temperature being overcome by artificial means. If, however, the necessity for affording protection to the spinning industry does at all arise in the future, this could be effected by imposing a small import duty equal to the existing excise duty on local manufactures of cloth and the removal of the excise duty. There will be no very great loss to the revenue and the weaving industry will have no cause of complaint. *It already enjoys a sufficient measure of Protection.*

5255. *Q.* 20. It may at once be conceded that when an import duty is imposed a part of it, though not the whole, does fall on the consumer in a rise of price. Some part has to be borne by the exporting country. The share falling on the consumer will vary with the circumstances obtaining in each case. Has the exporting country a partial or complete monopoly? Has the importing country a buyer's monopoly, or in other words, is it the former's sole or chief market? Has the exporting country a large home market for the same article to fall back upon? Is the demand for the article in the importing country elastic or inelastic? These and other similar factors would determine the extent to which the exporting manufacturer would have to share the burden of the duty with the importing consumer.

5256. *Q.* 21. The rise in price will not be permanent. The period for which the rise may continue would vary under different circumstances as stated in answer to the previous question. Ultimately, with the growth of the indigenous industry coupled with the increasing difficulty for the exporting country to hold the market the prices are bound to revert to the old levels.

5257. *Q.* 22. Yes. The cheapness to the consumer is not the be-all and end- all of economic prosperity. To buy in the cheapest market and sell in the dearest is not always the wisest principle to be followed by nations desirous of attaining and maintaining economic independence. The little sacrifice in the way of higher prices is more than mtade up in the great increase in the national power of production.

5258. *Q.* 23. This will no doubt be taken into consideration, but it may sometimes be desirable to particularly tax necessaries for the very reason that they are necessaries and must, if possible, be produced in the country.

5259. *Q.* 24. Yes. The rise in the cost of living would be increasingly counterbalanced by a rise in the wages and earnings of all the classes mentioned. The industrial wage earner would be directly benefited by increased demand for labour, owing to the development of industries. Statistics of protectionist countries show that the rise in wages there has been greater than the rise in the cost of living. The agricultural wage-earner would also be indirectly benefited. The immediate advantage of an import tariff does, no doubt, go to the manufacturer and the industrial wage-earner, but the agricultural labourer also profits thereby. Experience of other countries has shown that with the development of manufactures the cost of agricultural land, rents and agricultural wages have also risen. The agriculturist may also get a better return for his labour in consequence of the steady flow of present agricultural labour to industrial employment. There is another important point to be considered in this connection. The increase of revenue, through enhanced import duties, will go towards the remission of direct taxation, or, what amounts to the same thing, will obviate the need for further taxation necessary to meet growing public expenditure. This will to some extent counteract the hardship to the middle classes. It may also be possible to reduce the existing land revenue which is excessive and thereby relieve the agriculturists.

5260. *Q.* 25. There is no reason to apprehend that a discriminating policy of Protection, on the lines recommended above, will result in any serious diminution of the foreign trade of the country. On the contrary, with the expansion of manufactures, there is every likelihood of the import and export trade growing in volume. With the growth of manufactures the standard of living rises and the purchasing power of the country increases. In the United States of America and Japan for example the expansion of industries has been accompanied by a phenomenal rise in imports of both manufactured and raw goods. In 1860 the United States of America imported 353 million dollars worth of goods. In 1900 the imports stood at 849, while the figure for 1917-18 is over 2,300 millions. Annual average imports of Japan in years 1881-90 were 46·5 million yens and in 1919 over 217 millions. The average in the years 1900-09 was 386 million yens. Thus there is no cause for alarm that Protection in any form will lead to any serious curtailment of the import trade. Without doubt the nature of the goods imported will undergo considerable changes with the lapse of time, but there is no likelihood of any diminution in total volume of the foreign trade taking place. On the contrary there is every reason to believe that the foreign trade will be further extended.

5261. *Q.* 26. As our exports will for a long time to come consist mainly of raw material and the imports of manufactured goods, the need for retaliation or bargaining is not likely to arise. But, if and when such retaliation or bargaining becomes necessary the tariff can certainly serve as a useful instrument for the purpose.

5262. *Q.* 27. Yes, subject to what has been said in answer to the previous question.

5263. *Q.* 28. If the principle of discriminating Protection is adopted it would, in any case, be necessary to make the tariff more detailed than it is at present.

5264. *Q.* 29. Yes. Such an organisation would be indispensable. The Chamber would recommend the establishment of a standing Board, consisting mainly of non-officials preferably those not connected directly with any industry, which would examine every case for Protection and adjustment of tariffs. The final decision in every case would rest with the Indian Legislature, but it may be found advisable to rule that no Government or private Bill for any tariff amendment shall be brought before the Legislature until it has received the assent of this Board.

5265. *Q.* 30-31. Export duties should generally be levied only for revenue purposes, but it may sometimes be advisable to impose export duties with a view to encourage the retention of raw materials in the country for the purpose of manufacture. In either case it is necessary that the interest of the producers is not unduly jeopardised. A raw material in the production and supply of which the country possesses a sole monopoly can safely be taxed, so as to yield revenue and, at the same time, to afford a stimulus to the indigenous manufactures. The duty levied on Jute has in no way injured the Indian producer. Lac is another raw material in the production of which India enjoys a world-monopoly, and the proposed levy of a cess on the exports of lac and shellac is quite sound. With regard to cotton, though India does not possess any monopoly of supply, her contribution to the world-market is of great and increasing importance. Owing to the rapid progress of the cotton textile industry in America the portion of American cotton available for export is fast decreasing, and this is bound to intensify the demand for Indian cotton. If a duty is imposed on the export of cotton from India no injury is likely to result to the producer, nor is there any danger of a curtailment of the area under cotton crop taking place. It may similarly be possible to impose an export duty on raw seeds. A heavy duty on raw hides and skins has already been imposed, but the indigenous tanning industry cannot enjoy the full benefit of the duty unless the rebate of $\frac{3}{4}$ in respect of the exports to other parts of the Empire is cancelled.

5266. *Q.* 32. This question has already been answered. If due care is exercised in selecting only those raw materials, in the supply of which the country enjoys a sole or partial monopoly, and which can readily be utilised by indigenous industries, the interests of the producers are not likely to be adversely affected. Besides, it should not be forgotten that, all things considered, a local market is always more reliable, from the producer's point of view, than a foreign one however steady and certain it may have proved itself to be. The vicissitudes of the Indian export trade during and since the war afford an excellent object lesson in this respect.

5267. *Q.* 33. Yes it would be a great advantage to impose export duties on food-stuffs with a view to discourage their export. It is certainly wrong to check the export of a surplus food supply, but it is very doubtful whether Indian exports of wheat and other food grains really constitute a 'surplus.' The reason why these grains are exported in such large quantities is chiefly the inability of the poor classes to pay the high prices offered by the well-to-do foreigners. The strict control imposed in recent years on the export of wheat and other food grains does not seem to have resulted in any disaster to agricultural interests. It is well known that in this country the benefit of the higher prices obtained for the exported produce goes more to the exporting agent and the middleman than to the poor agriculturist himself.

5268. *Q.* 35-42. All questions relating to the fiscal policy of India should be approached solely from the Indian point of view. The consideration of Indian industrial and commercial interests should be paramount, and all other considerations should be subordinated to it. Any scheme or principle, which involves any sacrifice of these interests, would be quite unacceptable. In the absence of any authoritative and detailed scheme of Imperial Preference, and without knowing what place India is to be assigned under such a scheme, it is not possible to pronounce a definite opinion on the question. But the Chamber is unhesitatingly of opinion that if and when any such scheme is devised it would not be acceptable unless it fully satisfies the above test. It may be added that the Chamber seriously doubts the possibility of devising a satisfactory scheme under the existing conditions.

What India wants is unfettered freedom to foster her industries and protect them against unhealthy outside competition. Roughly speaking, more than two-thirds of India's total imports and more than half of her exports are from and to England and other parts of the Empire. It is a matter of fact, not of mere opinion, that Indian industries have suffered more from the competition of England than of any other foreign country. India has been denied the freedom, enjoyed in a full measure by the self-governing Dominions, to raise tariff walls against English imports. Any scheme which involves the perpetuating of this disability for India would not be in her interests. The idea of Imperial Preference seems to imply free trade, or what would practically amount to free trade, within the Empire. When one country stands foremost amongst the industrial nations of the world and the other occupies a most backward position free exchange between the two is anything but beneficial to the industrial interests of the latter. To grant fiscal freedom to India on the one hand, and on the other to commit her to free trade in respect of the bulk of her import and export trade is to place a most serious handicap on that freedom. When consulted by the Secretary of State in 1903 the Government of India unequivocally expressed itself against the adoption of a policy of Imperial Preference. India, it said, had very little to gain from any scheme of Imperial Preference, though she might have much to lose. The Chamber fully endorses this view. The English statesmen and economists who have, from time to time, ventilated their views on the subject have mostly discussed it from the English point of view and have commended or condemned Imperial Preference as it has appeared to them to be beneficial or otherwise to England's interests. They have seldom cared to consider India's point of view, probably because they took it for granted that, being a mere dependency, India could be made to acquiesce in any fiscal arrangement. For example, one well-known economist, after dilating at length on the danger of England losing in the future her hold on the foreign markets of the world says that no time should be lost to secure, through Imperial Preference, a sure market for England in the other countries of the Empire. These countries, he goes on to say, are hitherto mainly agriculturist—and he takes care to add that it is in their best interest to remain so—but if England does not stir herself in time, they would build up their own manufactures with the result that the only chance of safety for England would be lost for ever. It is needless to say that the prospect held out to other parts of the Empire by this writer does not appeal to India, who wants her proper place among the manufacturing nations of the world.

Oral evidence of Mr. Chapra, Assistant Secretary of the United Provinces Chamber of Commerce, Cawnpore, the 16th December 1921.

5269. *President—Q.* You represent the United Provinces Chamber of Commerce?

A. Yes.

5270. *Q.* The members of your Chamber are engaged in trade, commerce and industry?

A. Yes.

5271. *Q.* Will you please explain what you mean in the first paragraph of your reply to Questions Nos. 1 to 8. You say that "this policy which has been adhered to without the least regard to the wishes of * * even the Government of India, has been an important factor in the decline of indigenous industries and stands as an almost insuperable obstacle in the way of industrial revival."

A. What the sentence means is that this policy has been adhered to without the least regard to the wishes of the people and of late years to even the wishes of the Government of India.

5272. *Q.* That is to say, you mean that the Secretary of State and Parliament have dictated the fiscal policy of India and this is the result of that policy?

A. Yes, practically.

5273. *Q.* You mention in the second paragraph the views held by many modern economists of England in regard to the fiscal policy in India in past years. Which economists do you refer to?

A. Professor Ashley in more than one place in his book "Tariff Problem" clearly states that it is Lancashire which has all along stood in the way of England adopting Protection, because Lancashire thought and has always thought that if England adopted Protection, then there would be no further excuse for keeping India under a free trade policy and that India also would demand Protection. Then Professor Jebb has also in one place stated the same thing. It was at Lancashire's bidding that England perhaps has adhered so far even against the conviction of its best statesmen and economists to have a free trade policy, because England's biggest industry is the textile industry and the interests of Lancashire are paramount. Sir Roper Lethbridge says the same thing. I could quote 3 or 4 other authorities.

5274. *Q.* In answer to Question No. 10, in the end you say "It is difficult to say in respect of what particular goods she would for all time have to depend on other countries. The country is extremely rich in its natural resources, some of which still await development." Can you name some of them?

A. Yes, for instance, the chief requisites of industry are coal and iron. The output of coal is increasing every day, but I do not know whether we could be independent in the matter of coal. Iron ore and many other industries still lie undeveloped. We do not know whether we will need foreign supplies of these materials for all time. But judging from things as they stand at present, we would depend for a long time on certain chemicals, colouring materials, machinery, etc. I meant that the mineral resources of the country are rich, and there are commercial possibilities of some other raw materials.

5275. *Q.* In answer to Question No. 24 you say "Statistics of protectionist countries show that the rise in wages there has been greater than the rise in the cost of living." Can you give us those statistics?

A. I am afraid I have not got the statistics, but I would refer you to an article entitled "Wages and Prices in Germany" which appeared in the *Times* of London of May 5th 1910, and there it was shown that though there was an upward movement in regard to prices, wages had risen more in proportion. Then there is a report of an enquiry by the Board of Trade with regard to the cost of living in American towns. That also has come to the same conclusion. That was in 1911, I believe.

5276. *Q.* In answer to Questions Nos. 30-31, you say "If a duty is imposed on the export of cotton from India no injury is likely to result to the producer, nor is there any danger of a curtailment of the area under cotton crop taking place." Will you please explain why you say so?

A. Because as I have said in the memorandum, we do not possess any monopoly in cotton, but still India's cotton crop is a very important crop and those countries which import cotton from India cannot do without it, as for instance, Japan. There is another point. American crop is becoming increasingly less and less available to the textile industry of England and therefore England also is anxious that India should grow long staple cotton and that Indian cotton should be available for Lancashire, and therefore I think Indian cotton, as time elapses, would become more and more important, and if we impose a duty on cotton, I do not think that that by itself will diminish the demand for cotton or that the cotton crop will in any way suffer. I do not think the producers will suffer thereby.

5277. *Q.* Have you any definite information about imposing a heavy duty on the export of cotton?

A. I have not said a heavy duty.

5278. *Q.* But we have got to differentiate. What is your idea?

A. A duty similar to that we have imposed on jute may perhaps do.

5279. *Q.* But India has got a monopoly in jute, but no monopoly in cotton?

A. If we had a duty on cotton also I do not think the cotton producer would suffer thereby.

5280. *Q.* In the same paragraph you say " A heavy duty on raw hides and skins has already been imposed, but the indigenous tanning industry cannot enjoy the full benefit of the duty unless the rebate of $\frac{3}{4}$rds in respect of the exports to other parts of the Empire is cancelled." Will you please explain what you mean ? How would that affect the tanning industry ?

A. If it is intended that this duty should benefit to the full the Indian tanning industry, then, examining the question from the point of view of the Indian tanning industry alone, and not from any other extraneous consideration, the tanning industry would profit more if the rebate in respect of exports to the other parts of the Empire is cancelled. The effect which this rebate would have would be, no doubt, to change the channel of export, it may have the effect of diverting the current, but it may not afford the measure of Protection that is necessary for the tanning industry. If the object of this duty is at all to benefit the tanning industry, and there is no other object in view, and I would not have any other object in determining the fiscal policy, then there is no reason why there should be any rebate in respect of other parts of the Empire.

5281. *Q.* That is to say you think the tanning industry is not sufficiently protected by the 5 per cent. duty which is levied on exports to Empire countries ?

A. Exactly so.

5282. *Q.* And you want a uniform 15 per cent. duty ?

A. Yes.

5283 *Q.* Do you know what effect this duty has had on the export trade in hides and skins ?

A. We are at present passing through abnormal times, and if we are to form any conclusions from the present export figures and attribute it to the duty, it would be wrong, because there have been many other factors, for instance the slump in European trade, and other things, which are responsible for any contraction of the hides export, and I think this is not the time to judge of the effect of the duty on the export of hides.

5284. *Q.* Have you any statistics showing what is the total production for export purposes of hides and skins in India ?

A. I cannot say what the total production for export has been. But in the official year 1919-20, there has been a phenomenal export, *i.e.*, 36 crores worth of hides and skins.

5285. *Q.* Have you got the quantity ? I ask for the quantity because prices have varied so much.

A. I could give the quantity, but I have not got the figures here.

5286. *Q.* Have you any statistics showing what is the total quantity of hides and skins tanned in India ?

A. I have not got the information.

5287. *Q.* I was asking this question to ascertain what effect the heavy duty on the export of hides and skins would have on the trade as against the benefit to the tanning industry.

A. (No answer).

5288. *Q.* There is one piece of information which I wanted to obtain from your Association. It is not mentioned in your written reply. Are any of your members actually engaged in the manufacture of any article ?

A. Yes.

5289. *Q.* Can they give us any information as to how they have been able to withstand foreign competition in regard to the articles they manufacture ?

A. Some of them are engaged in the manufacture of textile materials. For that, as we have said in our memorandum, no special Protection is needed. They are holding their own. There is one member engaged in the manufacture of glass. He will give evidence before this Commission.

5290. *Q.* Is there any other industry in which your members are interested ?

A. Yes, oil crushing for instance.

5291. *Q.* The Commission would feel grateful if they can get information from members who are actually engaged in industries as to what difficulties they have to contend with, what state of progress they have reached and whether they could continue to successfully compete with foreign countries as they stand, and what scope there is for further development. All that information would be of very great use.

A. The gentleman engaged in the manufacture of glass would give evidence.

5292. *Q.* But I want information as regards as many industries as we can possibly get. If you can induce any of your members actually engaged in manufacture to come and tell us their difficulties, the stages through which they have passed, what hope of success they have, and what chance of further progress there is, etc., it would be of help.

A. We will ask our constituents.

5293. *Sir Maneckjee Dadabhoy*—*Q.* I understand your Chamber represents varied interests ?

A. It represents commerce and industry.

5294. *Q.* Your Chamber deals with different kinds of industries, it has varied interests, such as cotton, hides and skins, grain and various other things ?

A. Yes.

5295. *Q.* I understand from your note that your Chamber is for qualified Protection ?

A. Yes.

5296. *Q.* You want a scientific tariff for protecting such industries which hold out promise of success with a certain amount of Protection ?

A. Exactly.

5297. *Q.* You are not an out and out protectionist ?

A. No.

5298. *Q.* And you advocate a scientific tariff ?

A. Yes.

5299. *Q.* And your view is that every industry should be separately examined and industries which need particular support should be propped up by State help ?

A. Exactly.

5300. *Q.* Likewise I understand your view is that export and import duties should be individually examined ?

A. Yes.

5301. *Q.* And the Commission should after examining individual industries make up its mind as to which require enhancement of duties and which require reduction of duties ?

A. Yes.

5302. *Q.* You have no general scheme to give ?

A. Our recommendation is that the principle should be laid down. It should be accepted that, if necessary, industries will be afforded Protection. As to which industries need Protection or as to which should be afforded Protection should be examined thoroughly in detail. In examining every industry and in examining every case of export and import, the interest of India alone should be considered.

5303. *Q.* Your main point, I understand, is that there is a great deal of economic loss to India by the export of her raw materials ?

A. Yes, one of the main points.

5304. *Q.* You think those raw materials ought to be manufactured here and manufactured articles exported ?

A. Yes, as far as possible.

5305. *Q.* What raw materials does your province produce ?

A. Our province produces sugar, grain, raw seeds and cotton.

5306. *Q.* Are there any special raw materials in your province which by a system of Protection we can safely develop ?

A. Yes, oilseeds for instance.

5307. *Q.* What seed specially ?

A. Linseed, rape, etc.

5308. *Q.* Are there no industries in your province at present to develop oil seeds ? You have got oil mills ?

A. Yes, we have oil mills in Cawnpore. They have got their defects. They have freight difficulties, because the freight on oil seeds to the ports is very favourable to export while the freight on oil is very much greater.

5309. *Q.* You are under that disability ?

A. Yes.

5310. *Q.* Those difficulties apply to other parts of India too ?

A. Yes.

5311. *Q.* I understand from your note that your Chamber thinks that if Protection is needed, it is needed more against England than against foreign countries ?

A. Yes, judging from the imports and exports and the quantity imported from England one comes to the conclusion that if Protection is needed it is more against

ıe English industry than against those of other foreign ɔuntries. I do not stand alone in this view. I can uote the Government of India themselves, who have een of the same opinion.

5312. *Q.* I would like you to specify those industries ?

A. Textiles.

5313. *Q.* What else ?

A. Paper, glass, tobacco, iron and steel, cutlery, 'oollen goods and leather.

5314. *Q.* Will you please see the last sentence of your nswer to Question No. 17 ? Am I to understand that your hamber is in favour of State control ?

A. Yes, under the circumstances mentioned in our reply.

5315. *Q.* Do you know the difficulties of the last ontrol ?

A. That control was on a different footing, of course, rom the sort of control that is suggested here. This vill come in only in case they build up monopolies.

5316. *Q.* When combinations come you want withdrawal ıf Protection ?

A. I may say that Protection may be withdrawn ınly when a combination becomes really so bad that t becomes necessary to do it. Otherwise not. A com- ıination by itself is not a very bad thing. As I have aid combinations are not unknown even in free trading ountries. They have got their good points too, because ometimes they prevent the home market from going down 'ery much.

5317. *Q.* Please see the end of your answer to Question Vo. 19. I do not exactly understand what your Chamber ecommends. After saying that India imported 38 million bs. of yarn and exported 64 million lbs. in 1918-19 your hamber argues that no protection is necessary and hen further winds up by saying that there will be no 'ery great loss to the revenue and the weaving industry vill have no cause of complaint. Am I to understand hat your Chamber recommend an import duty on yarn ?

A. Not exactly. We say that, judging from statistics, t does not appear that the yarn industry needs any Pro- ection. I may also say that figures of last year further upport this. In 1920 we imported only 15 million lbs. f yarn while we exported 152 million lbs. of yarn, and he statistics recently collected have also shown that the ndian textile mills do not use very much of the foreign 'arns except of the higher counts. Therefore it does not ppear that our spinning industry needs to be protected. But if later on at any stage it becomes necessary at all to protect this industry.....

5318. *Q.* What is the method you recommend ?

A. An import duty may be levied on foreign yarn and the excise duty on manufactured goods in India may be abolished. Of course there will be some loss of revenue. Last year we realised about one crore from this source, but that could be made up from other duties.

5319. *Q.* In answer to Question No. 24 you say "Experience of other countries has shown that with the development of manufactures the cost of agricultural land, rents and agricultural wages have also risen." Another view has been placed before us; we have been examining witnesses in other parts of the country and we have been seriously told that the fostering of industries will ruin agriculture.

A. That is not our view.

5320. *Q.* You are distinctly of opinion that industries, simultaneously and side by side, will flourish with agriculture, and the indirect effect of industries will be to aid agriculture ?

A. Exactly. Take America. In America agriculture has not suffered in any way. Rather it has developed alongside of manufacture. We find that agricultural lands acquire much greater value if manufactures flourish in their vicinity. If we take the example of countries which are purely agricultural we find that the value of land is very low, while the value of land in manufacturing countries is much greater.

5321. *Q.* In answer to Question No. 29 you say "The final decision in every case would rest with the Indian Legislature," and you recommend a standing Board to deal with cases for Protection and adjustment of tariffs. Am I to understand that you would make this Board subordinate to the Indian Legislature ?

A. My point is that every case for Protection made out by any industry should first be placed before this Board. This Board, after thoroughly examining the case will decide whether Protection should or should not be given. If it decides that Protection should not be given, then our view is that the case should not at all be taken up by the Legislature. But if it comes to the decision that Protection should be given, then it may be brought in the shape of a private bill or Government bill in the Legislature. If the Legislature defeats it.....

5322. *Q.* You say it will be an advisory board ?

A. Yes.

5323. *Q.* Will you make these boards provincial boards ?

A. One Board for the whole of India, because that would be better able to examine all cases.

5324. *Q.* Do you think that one Board for the whole of India would be able to grapple with local questions ?

A. There could be no difficulty. We may ask the Industries Department in each province to help the Board with expert advice and to place at their disposal all the information in connection with any particular industry.

5325. *Q.* Our President asked you about the export of cotton. I would like to develop it a little because I do not exactly understand you. Don't you think that if an export duty on cotton is imposed the value of cotton will depreciate and that the Indian agriculturist will suffer ?

A. I do not think it will be so, because the demand for cotton would, I hope, grow, and that we would be able to throw the burden of the duty on the consumer in the foreign country.

5326. *Q.* Are you aware that India is not in a position to consume even half of its total cotton produce ?

A. I do not mean to say that we should stop exports. Just as we have been able to put a duty on jute safely put a duty on cotton. We would be able to get some revenue out of that.

5327. *Q.* I am speaking not from the revenue point of view, but from the point of view of the agriculturist. We know that the Indian mills won't consume more than 40 or 45 per cent. of the total produce, and if we put an export duty on cotton don't you think that cotton prices would considerably decrease and our agriculturists would suffer ? Don't you think that it will be an injury ?

A. My idea is that Japan will not discontinue importing cotton from India simply because of the export duty.

5328. *Q.* In answer to the President you said that a small duty may be imposed. What will be a small duty in your opinion ?

A. 5 per cent.

5329. *Q.* Do you call it a small duty ?

A. I should think so.

5330. *Q.* Will you please refer to the last sentence of your answer to Question No. 33 ?

A Of course I cannot produce any statistics in this connection, but it is well known that these agriculturists are very poor, often in financial embarrassments. The buniyas and middlemen purchase the produce of the standing crops at a very low price. Then they sell it to the exporting agent. The buniya has his profit and the exporting agent has his profit. My idea is that it is not so much the poor agriculturist who gains by the higher export prices available by exporting these food grains. It is more the middlemen and the exporting agents who gain.

5331. *Q.* You say that the agriculturist will not feel the export duty. Is that it ?

A. This is about foodstuffs. My idea is that there should be no export of foodstuffs unless there is a surplus. I make out that there is no surplus. We export simply because our people cannot pay the high prices which the importing countries are prepared to pay. I have collected certain statistics regarding the total area and the total produce from the figures of the average annual production of the 6 or 7 principal food grains group, which includes rice, wheat, maize, bajra and jowar, in fact all that are consumed as human food. I have taken the average not of a famine year but of very prosperous years, and I find that it works out at half a seer per head of the population.

5332. *President—Q.* The total production ?

A. The total Indian production of food grains works out at only half a seer (12-23 seer) per head of the population. I cannot call that a surplus. I have also compared the imports *plus* production in England of similar food grains, and I find that there it works out much

higher, about one seer. It is well known that in India food grains are the chief food, while there they have got meat, potatoes and other things. Therefore we cannot say there is a surplus here. If there is no surplus there should be no export. If there is no export then the agriculturist is not likely to suffer very much, because it is only the exporting agents' profits that will go.

5333. *Q.* Will you please give these statistics? They should be very useful to us.

A. The total average annual outturn of rice, wheat, barley, jowar, bajra, maize and gram in the years 1913-14 to 1916-17 (I have excluded 1917-18 because it was a bad crop) was 57,285,000 tons. Taking the population of India at 310 millions this works out at 12-23 seer per head of the population per day.

5334. *Q.* Have you taken the production of Indian State territories?

A. I think it is included. I would make sure.

5335. *Q.* For population you have taken a figure which includes the Indian State population. Therefore your production must also include the food grains there.

A. I think it is so, but I will make sure.

5336. *Sir Maneckjee Dadabhoy*—*Q.* I understand from your note that your Chamber are against Imperial Preference, because they are not in a position to devise a scheme by which there would be reciprocal benefit to India.

A. Up to this time schemes have been propounded by economists or by statesmen like Chamberlain and Balfour and others of the Unionist Party. Those very economists who have approached the question have not put forward any definite scheme and they have argued the point more from the English point of view than from the Indian point of view.

5337. *Q.* So there can be no preference without reciprocal advantage. You doubt whether India could get any reciprocal advantage by a scheme of Imperial Preference?

A. Yes.

5338. *Mr. Mant*—*Q.* In answer to Question No. 9 you advocate that the tariff should be framed primarily with the object of fostering Indian industries. You say "such a tariff would obviously take the form of higher import and export duties which would incidentally go to increase the public revenues". I take it then that your Chamber does not contemplate any prohibitive protective duties, any higher duties than at present, but you want to lower the imports coming in? Otherwise you would not increase your revenue.

A. The point is that we do not mean to prevent import at all. What the duty will be will depend on the circumstances of each case. One industry may need higher import duties, and another may need lower duties. For example, in the case of cotton 7½ per cent. is proving quite protective. But in the case of another industry it may not be enough, say in the case of paper.

5339. *Q.* You are referring to increase of revenue. You have not really in mind any prohibitive duties?

A. No.

5340. *Q.* In answer to Question No. 14 you say "To afford protection to industries which are likely to need it for ever would constitute an economic waste", and you also say that if any protected industry is found indefinitely to need Protection, without reasonable prospects of becoming independent the Protection can be withdrawn. I take it that you have a case where you have been protecting an industry for a good many years and you found eventually that if you took the duty off it would be as well.

A. Yes. We cannot help it.

5341. *Q.* Will it not be very difficult?

A. We won't withdraw it suddenly. We would gradually take it off. It is no use protecting an industry which would need Protection for all time.

5342. *Q.* I am only asking you: is there no great practical difficulty in taking off the duty?

A. My point is: in the first place before affording Protection we should take good care that we afford Protection only to such industries as will really be able to stand competition.

5343. *Q.* Supposing that industry does not make headway?

A. In any case we will have to withdraw it after a time. Such injustice cannot be avoided. In fact it will not be an injustice. It may work rather hard on some individual capitalist but it cannot be helped. This would not apply to some industries of extraordinary national importance, which may have to be protected for ever.

5344. *Q.* That is another point. With reference to your answer to Question No. 19 you explained to Sir Maneckjee Dadabhoy that you contemplate putting a small import duty on yarn if it is necessary to protect the spinning industry, and abandoning the excise duty. May I ask you how it will affect the handlooms? Don't they use imported yarn a good deal?

A. Not very much of it. Our weavers generally use lower counts.

5345. *Q.* You say the weavers use lower counts?

A. Yes, generally.

5346. *Q.* I thought they used the higher counts?

A. Of course higher counts are used for fine muslins, but those industries are dying out. Those muslins of Dacca are practically gone.

5347. *Q.* The President raised a point in regard to the statistics of protectionist countries. You gave two instances—Germany and the United States. Am I to understand that this is a general argument, that it is only what happened in particular countries? You have stated it rather generally: "Statistics of protectionist countries show that the rise in wages there has been greater than the rise in the cost of living". It rather looks as if it is a general consequence of Protection.

A. That would seem to be the general consequence indirectly of the growth of industries and manufactures.

5348. *Q.* You refer to statistics. You gave two instances. Have you got any others?

A. I do not know any statistics to the contrary. I know about the statistics regarding Germany and the United States. I do not know any statistics to the contrary.

5349. *Q.* It is only on this that you based your arguments?

A. Yes.

5350. *Q.* Will you please explain a little more fully the sort of Board that your Chamber contemplate in your answer to Question No. 29?

A. I say that the proposal given here is more or less tentative, and we have not discussed the question in detail. Our idea is that a Board consisting of public men and economists, preferably unconnected with any particular industry, should be set up to examine every case made out by any industry for Protection, and to report upon it after thoroughly examining it. If their report is unfavourable .....

5351 *Q.* I want to know the constitution of the Board? Will the Board be salaried?

A. No. We have not discussed these questions of detail.

5352 *Q.* You are speaking of a standing Board of non-officials. I do not quite follow it.

A. That will depend upon the work they have got to do. If their work is heavy and if their services are required more often and continuously, they would have to be paid. Otherwise not.

5353. *Q.* Your Chamber has not considered it in detail. In regard to the suggested cotton duty you say that owing to the rapid progress of the cotton textile industry in America the portion of American cotton available for export is fast decreasing and that this is bound to intensify the demand for Indian cotton. America produces long staple cotton and India produces short staple cotton. Is there any real competition between the American cotton and the Indian cotton? I do not think there is because they provide different demands.

A. If anything comes out of the efforts of Government as a result of the Indian Cotton Committee's recommendations there is no reason why we may not be able to produce long staple cotton. As a matter of fact we have already been growing some long staple Cotton in the Punjab, and as Government is very keen about encouraging the growth of long staple cotton in India, there may be competition.

5354. *Q.* You don't want your own mills to take up the long staple cotton?

A. That would be very good if they could. But my point in any case is that the textile industry of England has long been considering the possibility of importing cotton from India.

5355. *Q.* Do you think there is a possibility of the long staple cotton increasing so much ?

A. That depends upon the demand. I am not an expert. But I do not think there is anything wrong about its growth in large quantities. If the agriculturalist is assured of the demand for long staple, there seems to be no reason why he would not take it up.

5356. *Q.* So you would contemplate an increase in the long staple cotton produced in India.

A. Yes, and another point is that even if we do not produce long staple cotton in India and England does not in future get enough long staple from America England would rather have short staple from India than decrease the outturn of her mills.

5357. *Mr. Rhodes*—*Q.* In answer to Sir Maneckjee Dadabhoy and Mr. Mant you said that you thought the Indian cotton industry is at present sufficiently protected. The present protection is 7½ per cent. But you have also mentioned twice, I think once to the President and once to Sir Maneckjee Dadabhoy, that the excise duty should be taken off.

A. I say that if at all it should be necessary to protect the spinning industry .....

5358. *Q.* Excuse me. I am discussing the weaving industry.

A. It was said in that connection. If at all it should be necessary to protect the spinning industry and then there should be a complaint from the weaving industry that they are injured thereby, in that case it was said, it may be possible to take off the excise duty. I am not very keen about it. I think the protection is already there.

5359. *Q.* Supposing Government require more revenue now, will you advocate for revenue purposes an increase in the import duties on cotton goods ?

A. I should not mind it.

5360. *Q.* Would you recommend putting up the excise duty in proportion ?

A. No.

5361 *Q.* For revenue purposes ?

A. Not even for revenue. Excise is odious. It is indefensible on any ground. It is there for revenue purposes. But I would not have it raised even for purposes of revenue.

5362. *Q.* We are not discussing the reasons why it was imposed. The question is whether it should be removed. If you raise the import duties on cotton goods for purposes of revenue, you would be raising the cost of cloth to the population. Would not the Bombay and Ahmedabad mills put up their price in proportion ?

A. May be they may put up the price a bit, but not necessarily.

5363. *Q.* When the Manchester price goes up won't the Indian mill price go up in proportion ?

A. There is another point also. When we put a duty on import the whole of the duty does not fall on the consumer. The exporter in the foreign country would be prepared to contribute towards that duty, because otherwise he might have to lose his market. Therefore the buyer can also sometimes dictate terms to the seller. I have not got statistics here, but my general impression is (and I think statistics will bear me out) that when exchange fell from 2*s.* 10*d.* to 1*s.* 6*d.*—and this acted exactly as if an import duty were put on imports—the Lancashire manufacturers reduced their prices accordingly so that they may be able to place their goods in India. That shows clearly that if an import duty is imposed, they will reduce their prices in order to keep the Indian market.

5364. *Q.* I want to get away from the period of the war. It is well known that the Lancashire and Indian mills were both making large profits. At present the Lancashire mills will not be in a position to send their goods here unless they can get orders at the bare cost of manufacture. If we put up the import duty on imported goods for the sake of revenue, won't that mean that the consumer has to pay higher prices for the whole produce ?

A. I do not deny it. The consumer will have to pay the duty. In any case he will have to bear part of it.

5365. *Q.* The imports at present are about one-third of the total requirements of the country, so that it means that the consumer will have to pay higher prices on two-thirds and that Government will only get revenue on one-third.

A. I have not followed you.

5366. *Q.* If the duty is increased on imported goods, experience has shown, I think, that the handloom commodity and the Indian mill commodity also advance in prices in proportion. In that case the people of the country will have to pay higher prices, prices equal to the import duty, on the whole of their consumption ?

A. I do not dispute it, but I do not anywhere advocate the putting of an import duty on this particular import.

5367. *Q.* It will be required for revenue purposes ?

A. I am proposing other duties which will bring in revenue.

5368. *Q.* My point is, while it would increase the cost to the consumer on the whole of his consumption revenue on a portion only will go into the pockets of Government, because you would not tax the handloom people, you would not tax the Bombay mills more, so that for every Rs. 3 the consumer pays Government get only Re. 1. How would you meet that difficulty ?

A. I do not at all say that cotton imports should be taxed further.

5369. *Q.* But suppose it is necessary for revenue purposes ?

A. Other protective tariffs that we propose would bring in revenue.

5370. *Q.* In any case you don't want an increase in the tax on piecegoods ?

A. That I have already said.

5371. *Q.* I should like to ask you one question about oilseeds. Do you think that if we put a duty on linseed, it will increase our export of linseed oil ?

A. Yes.

5372. *Q.* In what way ? In linseed, I hear we are competing with the Argentine and other countries, and that the price which England, France and Germany will pay is governed by the world price of linseed.

A. If care is taken to impose only a small duty I think the export of linseed would be affected only to the extent to which the consumption of local mills increases by the stimulation of that duty. Therefore there is not going to be any great diminution in price.

5373. *Q.* If you put an export duty on linseed, how will it affect the crushing mills here ?

A. Only in this way: it would be a stimulus to them.

5374. *Q.* In what way ?

A. Because it would have the effect of cheapening the raw material a little and will give the local industry some advantage over its foreign competitors.

5375. *Q.* Would not that be likely to decrease the production?

A. I do not think it would decrease it very much.

5376. *Q.* If it is sufficient to lower the price, it should surely be sufficient to discourage the growing of linseed ?

A. I do not say that an export duty should be put on all oilseeds. There are many in which we have a practical monopoly, *e.g.*, take *til* seed. In this case duty could be put on. In the case of linseed if we really find that it is going to check the exports without materially benefiting the local industry, then a duty may not be put, because I have clearly said in the beginning that the greatest precaution should be taken in levying an export duty. Only if we have a monopoly or a partial monopoly and if our export is of such importance that the foreign country must take it and share the duty, we should put on an export duty.

5377. *Mr. Seshagiri Ayyer*—*Q.* I want to clear up a point raised by Mr. Rhodes. You were asked whether the imposition of a higher duty would not mean more cost to the consumer. Now, I want to put to you a specific question. You know that 7½ per cent. was the duty before and last year it was raised to 11 per cent. Has it proportionately raised the value of the goods to the consumer ?

A. I do not think it has, but all the same I would say it is difficult to judge, because there were so many other factors.

5378. *Q.* I want to take you to your answer to Question No. 16 about handloom industry. I think you stated that the total quantity of yarn imported into this country in 1920 was about 15 million lbs. What portion of that

is used by the powerlooms for the purpose of manufacture ?

A. I think more than half.

5379. *Q.* Are you quite sure ?

A. I think it is mostly of higher counts.

5380. *Q.* I know that they use the higher counts but are you quite sure they use more than half ?

A. I do not know.

5381. *Q.* You said in answer to a question that the handloom industry does not generally consume higher counts of yarn. I think that is directly opposed to my experience.

A. I think I did not say that.

Mr. Mant—I think the witness said so in answer to my question.

5382. *Mr. Seshagiri Ayyer*—*Q.* I am rather keen about this. This is a matter which will come up a great deal in Madras. So far as Madras is concerned the handloom industry consumes almost entirely higher counts of yarn.

A. It is possible. I am quite prepared to take it from you, but the imports of yarn are after all so very small that it does not make much difference.

5383. *Q.* You said in answer to one of the questions that you will have no objection to an import duty on yarn for protecting spinning ?

A. I do not think it is at all necessary, but I said that if it was ever considered necessary, then the duty might be imposed. I am against its being imposed.

5384. *Q.* If it is done, the result would be that it will almost kill the handloom industry. It seems to me in our part of the country the handloom industry should be encouraged as much as possible. Would you seriously advocate the imposition of an import duty on yarn which is being largely used by the handloom industry ?

A. Our mills are increasingly spinning higher counts. Now, many mills in Ahmedabad are spinning 40 to 47 counts.

5385. *Q.* Take it even up to 50. In our parts the yarn used is from 60 to 120.

A. Then we shall leave out the higher counts when we are imposing the duty. In the first place I do not want any duty ; in the second place if ever the duty was considered necessary I would not object to it, but if we find that the duty injures our handloom industry then we shall place the duty only on lower counts.

5386. *Q.* Take your answer to Questions Nos. 30,31 and 33. We have been told that if you impose an export duty on food stuffs the result would be that the producers would either leave their land uncultivated or take to growing some other crop and thus the quantity of foodstuffs available in the country would be lessened ?

A. As a matter of fact, we have not only placed a duty on exports, but we have practically prohibited the export of wheat, and I do not think that it has very much lessened the area of cultivation. I am open to correction on this point, but my idea is that the prohibition of the export of wheat for the last two years has not very much curtailed the area under cultivation.

5387. *Q.* The prohibition was only for the last year. You do not think that the imposition of an export duty upon these food grains would have the effect of seriously diminishing the cultivated area of these grains ?

A. My answer is that in the first place I think it will not appreciably curtail the area. But even if it does it is easier for a cultivator to vary his crops than it is for an industrial labourer to take to other industries than his own.

5388. *Q.* Towards the end of your answer to Question No. 19 you say "If, however, the necessity for affording protection to the spinning industry does at all arise in the future, this could be effected by imposing a small import duty equal to the existing excise duty on local manufactures of cloth and the removal of the excise duty." What is the difference between the "small import duty" and the "existing excise duty"?

A. I do not think that it is necessary to impose any duty on yarn in the interest of the spinning industry, but if at all it becomes necessary to impose a duty, the question suggests that the weavers might complain that their raw material is being taxed : in this case I say, it may be possible to remove the existing excise duty.

5389. *Q.* But what is the difference ?

A. I mean by a "small import duty "a small import duty on yarn coming from outside.

5390. *Mr. Coyajee*—*Q.* In answer to Question No. 10, at the end you say "But judging from things as they stand at present, it may be said that for a long time to come India will probably have to depend on other countries for certain articles such as colours, dyes, chemical materials and machinery." How would you deal with these imports in your tariff programme ? That is to say, would you have a heavy import duty ?

A. For example, I would put no duty on machinery.

5391. *Q.* Then these chemical materials ?

A. There are many materials which we can produce in India. We used to produce alum in large quantities. But there are other materials which we have not got ; we will admit these free if they are useful to our industries.

5392, *Q.* In your answer to Question No. 12 you say "Then there may be certain industries which are non-existent in the country at present." How would you deal with the case of non-existent industries ? Would you help them with tariff or with direct Government help ?

A. We would begin with Government help, and if we find that the industry can succeed then we will introduce Protection.

5393. *Q.* On the principle that Protection should have some thing to protect ?

A. Yes.

5394. *Q.* Then coming to your answer to Question No. 24 you say, "Experience of other countries has shown that with the development of manufactures the cost of agricultural land, rents and agricultural wages have also risen." Might I suggest to you that the great factor in the rise of rent and agricultural wages in those countries is the existence of agrarian Protection which we do not contemplate. Therefore, we cannot infer from the experience of those countries that we too will have a direct increase of rents and wages. You will agree that in those countries there is a very important factor, agrarian Protection, which is wanting in India ?

A. That is only one factor. I think Protection for manufactures is also another factor.

5395. *Q.* But so far as agrarian Protection is concerned, that will appreciably affect the position ?

A. Yes, but protection to manufactures will also appreciably affect the position.

5396. *Q.* Then in the same answer you say "The increase of revenue through enhanced import duties will go towards the remission of direct taxation." You think that Protection will give us a good deal to augment our financial recourses ?

A. It would give some : at least more than we get under the existing free trade tariff.

5397. *Q.* You mean a revenue tariff will yield less than a protectionist tariff ?

A. I would not impose tariff for revenue only : I would not for instance tax machinery at all.

5398. *Q.* What is your motive for an export duty on wheat. It is purely a fiscal motive, is it not ?

A. We want to retain this wheat because as I have said there is no surplus. Our present surplus is no surplus at all. We do not want to export it, and therefore we want to discourage that export.

5399. *Q.* That is your motive, and not the fiscal motive ?

A. I have said that an export duty should be imposed only for revenue purposes, but about foodstuffs we are very positive that export must be checked.

5400. *Q.* Might I suggest that this is somewhat a hardship on the agrarian in India that he should have to pay high prices for the manufactured articles when he has to buy them and to sell his produce cheap ? He is taxed at both ends.

A. I do not think it would be hard in the long run. In the long run he will gain. Then of course you can take off a little of land revenue which is very heavy.

5401. *Q.* You informed Sir Maneckjee Dadabhoy that you doubted if there would be reciprocity for us under Imperial Preference. May I put a tangible case ? Suppose a certain Dominion offered to-morrow to give us fiscal favours on our tea and coffee on the condition that we reduce the import duties on its tallow and wheat. Suppose such a proposition was put before you, what would be your attitude towards it ?

A. My attitude would be rather suspicious. I am sorry to bring in politics,

5402. *Q.* I am talking from the business point of view.

A. I do not share that view. I would like to quote what the Government of India said in their despatch of 1903 on Imperial Preference. They discuss two alternatives. One is that England should allow India to protect herself against England, giving preference to England as far as possible. Discussing this alternative they say "It is sufficient to say that this alternative is not, so far as we can judge, within the sphere of practical politics. All past experience indicates that in the decision of any fiscal question concerning this country, powerful sections of the community at home will continue to demand that their interests, and not those of India alone shall be allowed considerations. The second alternative is free trade within the Empire. The Government of India say "The results of this alternative might be of appreciable advantage to the United Kingdom.... But as regards India the balance of advantage is distinctly adverse. In the first place, we might be forced to shape our policy not in accordance with our own needs, but according to the interests and demands of other constituents of the Empire." What I mean to say is that it is not I alone, but even the Government of India who have been suspicious.

5403. *Q.* Well, in those days, there was no idea of the 7½ per cent. duty on Lancashire goods. We are now living in different times.

A. If we bring this in, we are bringing in the thin end of the wedge. I want to guard against this thin end of the wedge. If we get a favourable proposal and we accept it, we accept the principle and then we may have to enter into preferential relationship with England. England being an advanced country and India being only in its infancy, India would be at a disadvantage. I say my opinion is shared by the Government of India. They have throughout said that India has not much to gain, but much to lose.

5404. *Sir Maneckjee Dadabhoy—Q.* You mean that England needs no preference.

A. My point is that in consideration of all these questions India and India's point of view only should be considered. If we accept Imperial Preference, it would not be possible to consider every problem, every question of detail, from the purely Indian point of view. I should be quite prepared to accept any workable scheme, but I doubt whether such a scheme would be possible.

5405. *Mr. Coyajee—Q.* Suppose one of our big export industries were threatened by the competition of a foreign country. Take China tea. Would it not be helpful?

A. With the exception of tea and coffee I have not been able to think of anything else that could benefit under a scheme of preference within the Empire. For the advantage of one industry I would not commit India to a policy of Imperial Preference. I would rather let that industry suffer than commit ourselves to a principle which would be injurious in the end.

5406. *Sir Montagu Webb—Q.* Can you tell me how many members there are in your Association?

A. I think 137 at present.

5407. *Q.* Can you tell me what the majority of those members are engaged in,—in what branches of commerce and industry?

A. There are importing firms; there are exporting firms; there are firms dealing in raw materials such as cotton, hides and skins, oilseeds; then there are firms engaged in industry also, such as oil industry, paper industry, glass industry, etc.

5408. *Q.* The majority of the Chamber, I understand, are traders rather than industrialists. Can you tell me what experience you yourself have had in commerce and industry?

A. I am Assistant Secretary of the Chamber. I have not had practical experience personally, but I have been connected with business men. I am also Professor of Commerce in a local College.

5409. *Q.* You are not directly engaged in trade yourself?

A. No.

5410. *Q.* In your answer to Question No. 24 you state that the statistics of protectionist countries show that the rise in wages has been greater than the rise in the cost of living. Would you kindly state to the Commission the exact reference? According to my experience, precisely the opposite is the case. So far as I know wages never rise equivalent to the general rise in prices, but always lag behind.

A. I may refer the Commission to an article in the "Times" of May 5th, 1910.

5411. *Q.* But would you put forward that as authoritative? It is only a newspaper article. Have you any other reference?

A. There was an enquiry by the Board of Trade into the cost of living in American towns. I think that is authoritative.

5412. *Q.* You know the date of it?

A. I think it was in 1911.

5413. *Q.* I ask for these particulars because so far as I know precisely the opposite is the fact. You gave in reply to Mr. Coyajee just now a quotation from the Government of India's despatch in the matter of preferential trade. You recognise of course that things are entirely different now?

A. I think they are not appreciably different.

5414. *Q.* That the Government of India would not be likely now to express those views?

A. Until they express any views to the contrary I would take it as their views even now.

5415. *Q.* Don't you think that the new constitution of the Government of India has made some difference?

A. Certainly some difference, but not all the difference.

5416. Q. There is only one other question. You state that in your opinion Protection is needed more against England than against foreign countries. Can you tell the Commission from your studies, how England, a free trade country, is more difficult to compete against than foreign countries which are protectionist countries?

A. That is because England was the first to take up manufactures; England has some natural advantages, and her industry is thoroughly organised.

5417. *Q.* You think the reason is that England started first, she has rich raw materials?

A. Yes, coal and iron. Otherwise there is no reason. The other countries are fast coming up and surpassing her in some industries. America has gone ahead in steel.

5418. *Sir Edgar Holberton—Q.* Please refer to your answer to Question No. 29. You are going to set up a Board, and it is to be of non-officials, preferably those not connected with any industry?

A. Not all non-officials; there should be officials also. "Preferably not directly connected with any industry" because they may have certain prejudices towards their own industries.

5419. *Q.* You think it would be dangerous to employ experienced men?

A. My own idea is that in these matters, economists, though not engaged in industries, would be more helpful than people engaged in the business.

5420. *Q.* You think you could get these economists in the country?

A. I do not think there would be any difficulty.

5421. *Q.* In reference to Question No. 33, you have worked out very interesting figures. I think you say that India produced enough foodstuffs to give half a seer per head per day. How much do you think they want?

A. At any rate not less than half a seer. They are under-fed. Half a seer is not enough, because food grains are the chief parts of food of an Indian, while elsewhere they are only an unimportant part, or at any rate they are not the chief part. They eat other things, meats, potatoes and things of that kind.

5422. *Q.* At the present moment then you think that the inhabitants of India are not getting enough to eat?

A. Exactly so.

5423. *Q.* The reason being that there is not enough produced in the country?

A. Yes.

5424. *Q.* This is rather a new view. I cannot help elaborating on it a little. It also affects the various classes of India. Different classes eat different sorts of food.

A. I have taken almost all sorts of grains. Wheat is taken by the higher classes, Bajra, Jowar and Maize by the poorer classes.

5425. *Q.* Let me go into some detail on this matter. Various classes eat various classes of grains?

A. Yes.

5426. *Q.* I know a little bit about rice

A. Rice we could export.

5427. *Q.* There are not enough rice eaters in India ?

A. Yes, I do not mean to say that all foodstuffs should be equally taxed or should not be taxed.

5428. *Q.* You want to discourage the export of all food stuffs ?

A. Yes.

5429. *Q.* The effect of it will be to induce the enormous number of the present rice producing cultivators to change their crops ?

A. I think if rice were sufficiently cheap the people who are not rice eaters would rather have rice than starve.

5430. *Q.* If it is sufficiently cheap ?

A. If it were a little cheaper.

5431. *Q.* That will have the same effect of driving out the rice cultivation ?

A. I do not think it would have much effect on that, because I do not think that would curtail rice cultivation very much. There is nothing to prevent us from treating each of these foodstuffs separately. Leaving aside rice, mostly all the poor choose cheaper grain. It may be argued that poor people do not like wheat. That is not so. It is because wheat is dear, they prefer Jowar or Bajra, and if they become dear, they take wheat. I quite admit that in the Punjab and other places rice is not very extensively used as in other parts. Some difference could be made.

5432. *Q.* You mean that examination will have to be made of all the things. You think that an export duty which stops the food from going out of the country would be for the good of the country ?

A. Yes, generally speaking.

5433. *Q.* In reference to your last remark, could you give us reference to your economist ?

A. Yes, it is Professor Ashley. Pages 158-159 of his book entitled "Tariff Problem."

5434. *Q.* What is the date of the publication ?

A. It is 1913, Take another author, Sir Roper Lethbridge, who says the English industries are fast losing foreign markets, and though at the present moment India and the other dominions offer very good markets for England, if these are not secured soon through Imperial Preference, the Dominions too will in time develop their manufactures and then England's only chance would be lost. Something to that effect Professor Ashley has said in almost the very words that I have reproduced here.

5435. *Q.* As has been pointed out to you by previous members of this Commission in their examination of your interesting note, the mere fact that the Fiscal Commission has been set up by the Government of India shows that the old policy does not still exist. Had it been otherwise I think we would be wasting time here.

A. I quite admit that, but my point is that only now there is the proposal that India should be offered the freedom to act as she likes and at this very stage to commit ourselves to Imperial Preference would be handicapping our freedom.

5436. *Sir Maneckjee Dadabhoy.—Q.* In answer to Mr. Seshagiri Ayyar, you said that one moiety of the imported yarn is consumed in weaving finer counts. What is the source of your information ?

A. I only know that 15 million lbs. are imported. That I gather from Government reports. Beyond that, I have no information as to how much of that is consumed by hand weavers. I have not got the information.

Witness No. 35.

Mr. E. R. WATSON, M.A., D.Sc., Principal, Research Institute, United Provinces.

Written statement, dated Cawnpore, the 23rd November 1921.

5437. *Q.* 1. I generally favour a policy of Protection, which is rendered necessary by the adoption of a protective policy by many other countries, and because the great war has shown the necessity of fostering key industries in any country which may be isolated in the event of war.

5438. *Q.* 5. I consider that India's tariff policy has not given India's industries much assistance in developing as they have had to compete on almost equal terms with highly developed foreign industries. In highly developed industries the cost of production has been reduced to a minimum and moreover they may wish to dispose of surplus stocks by dumping. I do not consider that the present tariff policy goes sufficiently to the root of the problem of fostering Indian industries. Machinery is admitted at a low rate because machinery is required for the development of many industries. But at the same time this low rate handicaps the development of the metallurgical and engineering industries in this country and it is probable that no country has ever developed satisfactorily except on the basis of sound metallurgical and engineering industries. Again if India were isolated in the event of war she would soon become paralysed unless she were producing her own iron and steel and machinery. And I think the existing tariffs will be insufficient to allow certain other essential key industries to develop.

5439. *Q.* 9. Yes. I consider the tariff should be framed primarily with the object of fostering Indian industries, with the object of making the country self-contained and self-supporting. The great war has taught us that no country, which could be blockaded as India could, can be safe from military conquest unless almost completely self-contained.

5440. *Q.* 10. Yes. I think India may in time become independent of other countries in regard to all her requirements of manufactured goods.

5441. *Q.* 11. I would not impose protective import duties except to protect Indian industries. Therefore I would not impose import duties on manufactured articles unless similar articles are being manufactured in India, or until the Government ascertains that the articles in sufficient quantity will be manufactured if an import duty is imposed. (This is somewhat modified in my answer to Question No. 39.)

5442. *Q.* 12. I would protect all existing industries which require it.

5443. *Q.* 13. I consider it desirable to establish by Protection such industries as are necessary to make the country self-contained and self-supporting so that it could successfully withstand a blockade.

5444. *Q.* 14. I would protect essential industries even if they required continuous Protection, but I think India is in a satisfactory position as regards most raw materials and with sufficient development of her industries the majority would be able to face foreign competition without assistance. But it would be necessary for Government to keep a careful watch to see that essential industries were not killed by deliberate manipulated foreign competition.

5445. *Q.* 15. I would grant special Protection against dumping, etc. The development of an efficient Government Industries Department in India and technical branches of our consular services would be necessary to ascertain the facts. Special Protection might be given either by an increased import duty or by refusing importation in case the articles in question can be manufactured at a reasonable price in the country.

5446. *Q.* 17. I think there would be this danger of combinations leading to monopoly prices. It would be the duty of the Government Industries Department to ascertain the real cost of production and lower protective import duties temporarily, or threaten to lower them, until the combination dropped its prices to a reasonable level.

5447. *Q.* 18. Provided the political situation becomes satisfactory I think it is likely that British and foreign industrial firms will endeavour to establish themselves in India. I should welcome this movement, but of course the Political Department would have to watch the foreign firms.

5448. *Q.* 19. Conflicts of interest are bound to arise and Government must take the broadest view of the

situation and manipulate tariffs with the primary object of making the country self-contained as regards all essentials and the secondary object of making living as cheap as possible compatible with the attainment of that primary object.

5449. *Q.* 20. I am afraid that ordinarily the imposition of any fresh import duty leads to a rise in price to the consumer. If Government knows that an article can be profitably manufactured in the country without increasing its price there is no necessity to increase the import duty until conditions change.

5450. *Q.* 22. Yes.

5451. *Q.* 23. I would have regard to whether the protected article was necessary, not only for life, but for the self-containment of the country for military purposes.

5452. *Q.* 25. It would considerably modify the flow of trade, diminishing the exports of raw materials and imports of manufactured articles.

5453. *Q.* 29. I think such an organization would be absolutely essential.

5454. *Q.* 30. I think that, generally speaking, export duties are likely to do more harm than good to Indian industries by cutting off the demand for Indian produce. A few articles which no other country can produce or for which the world is absolutely dependent on Indian supplies might be taxed. But it would be necessary to watch very carefully to see that the world did not find some substitute and no longer require our produce.

5455. *Q.* 35. I am on general grounds favourable to the idea of Imperial Preference. And I think that India would be justified in risking some economic loss for the sake of it.

5456. *Q.* 37. The chief gain to India which I anticipate from a system of Imperial Preference would be a welcome place in a strong Empire and military and naval assistance in case of need.

5457. *Q.* 39. I would give preference on all imported articles. Those which would be free according to Question No. 11 might be free for the Empire with a small import duty for foreign countries.

5458. *Q.* 41. A system of Imperial Preference in conjunction with the system of protective tariffs which I have already outlined would not have a very different effect, so far as Indian imports and exports are concerned, from the system of protective tariffs without Imperial Preference.

5459. *Q.* 43. As Principal of the Technological Institute of the United Provinces, I am interested in the development in India of industries based on chemical technology.

5460. *Q.* 44. I consider that there are good prospects for the development of Chemical industries in India. Please see my paper in the Journal of Indian Industries and Labour. Volume 1, Part II.

5461. *Q.* 45. I consider that many of these industries are essential to the national security and of substantial importance to the economic prosperity of India, *e.g.*, the manufacture of sulphuric and nitric acids and the isolation of aromatic hydro-carbons for the manufacture of explosives. The manufacture of synthetic dyes and drugs would naturally accompany the manufacture of explosives.

The manufacture of alkalis, nitrates, chlorine, glass and many other products of chemical technology are almost equally essential to national security.

5462. *Q.* 46. Most of these branches of Chemical industry do not exist in India.

5463. *Q.* 48. The industries would have to face foreign competition in the Indian market. The United Kingdom has developed the manufacture of heavy chemicals to a very high pitch of perfection and Indian manufacturers of these would need considerable Protection in this respect; similarly Germany has developed the manufacture of Organic chemicals including dyes and drugs and Indian manufacturers would need Protection from these. The United Kingdom has been attempting during and since the war to develop certain of these key industries and is seeking to protect them by the Dyestuffs Bill of 1920 and the Safeguarding of Industries Bill 1921. In India we should need to protect our industries in a similar way. Until our industries have started and need Protection we should show Imperial Preference to help British key industries.

5464. *Q.* 49. Indian industries are somewhat handicapped as regards supplies of coal and oil and water power. But generally speaking as regards raw materials for chemical industries, she is fortunate.

5465. *Q.* 50. The protection of these chemical industries most of which do not yet exist in India, need not be considered until arrangements have been made to start them. But it is important that the principle of their Protection should be recognised. The organisation proposed in answer to Question No. 29 would be able to impose suitable duties as required. The knowledge that this principle had been recognised would be a great encouragement for the starting of these industries.

5466. *Q.* 51. This depends not only on India but also on the trend of events in other countries. There would probably be some industries which would require some Protection for a long time. The possibility of this is recognised in the United Kingdom and other countries.

5467. *Q.* 52. Yes. I have already suggested the remedy in my answer to Question No. 15.

5468. *Q.* 58. The finished products of the chemical industries are used to such a large extent in other industries that they may be termed the hand-maidens of industry in general, *e.g.*, acids are used in the iron and steel trade, in the manufacture of fertilisers, explosives, dyes. drugs, in the purification of mineral oils, in the textile trades, etc. Alkalis are used in the textile and paper trades, manufacture of glass, soap, etc. Dyes are used in the textile trade.

5469. *Q.* 59. The explosive and dyestuff industries would utilise by-products from the coke-ovens of iron and steel manufacture. The explosive industry would utilise glycerine and the soap industry would utilise oils from the oil-crushing industry.

5470. *Q.* 60. I would prefer a system under which industries would receive varying amounts of Protection in accordance with their needs.

Oral evidence, Cawnpore, the 16th December 1921.

5471. *President.*—*Q.* In answer to Question No. 5, you say " But at the same time this low rate handicaps the development of the metallurgical and engineering industries in this country and it is probable that no country has ever developed satisfactorily except on the basis of sound metallurgical and engineering industries." Can you give us any indication as to what form of assistance or Protection you consider necessary for the development of these industries?

A. On looking through my note this morning, I would rather have said this low rate *may* handicap the development, etc. I am not speaking on behalf of the industries.

5472. *Q.* We want your assistance in considering those industries. I would like to know whether you have any suggestions to make in regard to these industries?

A. I do not know whether they actually stand in need of assistance, but if they did, I consider Protection should be given.

5473. *Q.* Then you deal with key industries. In your note you say " I think the existing tariffs will be insufficient to allow certain other essential key industries to develop." Can you mention any of those key industries?

A. Most of the chemical industries, for instance, the production of caustic soda and alkalis, tar products, explosives, synthetic dyestuffs, synthetic drugs.

5474. *Q.* What I wanted to know was whether you have considered any industires which require special Protection and the extent of such protection, or those which should be brought into existence in the interests of India, that is to say, some new key industry.

A. I am speaking generally for industries,—chemical industries which do not yet exist, but which I consider are necessary for the proper industrial development of the country, and secondly, industries which exist at present, but which need Protection, the heavy chemicals and also the finer chemical industries. I think they all stand in need of Protection.

5475. *Q.* Have you worked out the probable chances of establishing these industries in India and the difficulties in the way and the kind of assistance or Protection that they need?

A. Yes, I have tried to consider it in my note which I published in " Indian industries." I tried to work out what were the chances of developing these chemical industries and came to the conclusion that they would need Protection in their initial stages. I could not give

you figures as to what percentage would be necessary to protect them.

5476. *Q.* They would require further investigation?

A. Yes, certainly. The industries do not exist at present, and when the details have been worked out, you will be able to form some conclusion as to the amount of Protection which would be necessary. But as regards the raw materials, I think the chances for most of these industries are very good.

5477. *Q.* Then these industries will necessitate skilled labour and expert knowledge?

A. Yes, expert knowledge, not necessarily skilled labour in all cases.

5478. *Q.* And they would cost considerable sums of money to India. It is rather an expensive thing to get?

A. Expert knowledge would be expensive to get.

5479. *Q.* And you would give the necessary Protection in order that they may be manufactured and so that they may ultimately stand on their own legs?

A. Even if they could never stand on their own legs, there are certain key industries which I should perpetually support, if necessary.

5480. *Q.* What are the chances of these industries that you mention? Would they be able to stand on their own legs or will they require perpetual assistance?

A. I think the chances of their standing on their own legs are good. But of course it depends on so many factors, not only on the conditions in this country, but on the policy of other countries to some extent. If other countries are willing to put in their things at prices less than the cost of production in order to try to prevent these industries getting established or to cut them away when they have got established, then it would be necessary to continue the protection. In some cases, for instance, the industry might have arrived at a stage when Protection could be done away with, and then subsequently there might be a deliberate attempt to undermine it.

5481. *Q.* By dumping, bounties and otherwise?

A. Yes. Then the duties would have to be reimposed.

5482. *Q.* Will you please refer to your answer to Question No. 19? Do you think the secondary object of making living as cheap as possible could be brought about simultaneously with the development of industries under protective tariffs?

A. I think so.

5483. *Q.* Will you please explain why? We have been told that the effect of protective tariffs will be the raising of prices and consequent rise of the cost of living. How could industries under Protection be established and maintained and still the secondary object, *viz.*, of making living as cheap as possible be secured?

A. The majority of people in India are not very dependent on imported articles, such as foodstuffs for instance. A considerable amount of Indian goods are manufactured in the country.

5484. *Q.* How could cost of living be made lower?

A. I do not think I meant to imply by that answer that import duties should be imposed with the object of making living cheap.

5485. *Q.* That would be the secondary result.

A. If industries have developed in India successfully, they ought to produce articles cheaper than we are getting them now when the importers can charge what they like as they know we cannot produce the articles ourselves.

5486. *Q.* In the long run the effect would be the lowering of prices by competition amongst manufacturing agencies in India itself after they have been sufficiently developed?

A. Yes.

5487. *Q.* As regards your answer to Question No. 35, what economic loss do you contemplate and to what extent would you accept the economic loss to India for the purpose of securing Imperial Preference?

A. If the import duty for British goods was less than the import duty on goods from other countries, then our revenue from import duties would be so much less and it is that amount of revenue which I think it would be worth while to forego in order to keep cordial relations with the mother country.

5488. *Q.* You have only dealt with the reduced income from customs duties. I should like to know what effect such a policy would produce on prices? Supposing we were importing goods from the United States of America and the same goods from England, charging 10 per cent. import duty on British goods and 15 per cent import duty on the same article imported from the United States of America, how would the prices be regulated to the consumer?

A. He probably would not get British goods very much cheaper than the goods from America.

5489. *Q.* Therefore the prices would be regulated on the standard of the 15 per cent. which the United States has got to pay?

A. Yes, unless the articles were also manufactured in this country.

5490. *Q.* I am not talking of articles which are manufactured in this country. We are now dealing with the whole quantity being imported from abroad. Prices would be regulated on the higher standard of duty? I am assuming the case of an article which India does not produce.

A. Then I would not put an import duty on it, from my point of view.

5491. *Q.* I was putting to you a specific case. We are dealing merely with Imperial Preference, and I want to know if you can tell me how the price to the consumer will be regulated by a differential duty, assuming that duty to be 10 and 15 per cent.

A. I consider that if the article was not manufactured in this country and there was an import duty of 15 per cent. on American goods and 10 per cent. on British goods, the consumer would have to pay practically the same as if the import duty was 15 per cent.

5492. *Q.* Therefore you have not considered that amount of loss to the consumer as between 10 and 15 per cent. under Imperial Preference when you said you thought that the only loss was the lowering of the receipts from customs duties.

A. There is not only loss to the Government, but to the consumer also.

5493. *Q.* Then as regards your answer to Question No. 37. Don't you think it would be much better if some definite arrangement was made in regard to any naval or military assistance which each country in the Empire gave to the other rather than in this indefinite way in which the actual contribution would be unascertainable?

A. If cordial relations exist, I consider the support which one part of the Empire might give to another would be unlimited to the total extent of the resources.

5494. *Q.* Would it not be better to have some arrangement mutually advantageous to both countries?

A. No. I think this arrangement of duties would be likely to establish much more cordial relations than the payment of a lump sum.

5495. *Q.* I did not say it should be by payment of a lump sum. I only suggested a mutual arrangement under which there is mutual and reciprocal engagement and liability, the advantage being that it is definite and ascertainable while in the other case it is indefinite and unascertainable.

A. But I think that good feeling in such transactions as trade have good effects which can scarcely be over-rated.

5496. *Q.* Could not cordial relations within the Empire be secured without having any preferential treatment by other means of a more definite character.

A. I think it would be difficult.

5497. *Q.* Your answer to Question No. 45. I suppose the answer you gave in your evidence applies to these articles. These are all chemical industries which you would try to establish in India under a system of Protection?

A. Yes.

5498. *Sir Edgar Holberton.*—*Q.* I have been reading with very great interest your article on Chemical Research in India. I shall ask a few questions which touch both on the article and the note. Have you any objection to that?

A. No.

5499. *Q.* As far as I understand your views on the subject, your main idea may be quoted from your article; " If we start with the idea that first and foremost we must see that India's military requirements are met so that she could withstand a blockade, then we decide that explosives must be manufactured in the country from materials all available in the country." The whole policy of the Protection of key industries is really resting on the idea that India ought to be self-contained for war.

A. I wrote the article on two bases: first military requirements of India and secondly my own personal experience. Military requirements of course, arise from the war, and the other one, in my present posi-

tion I have been asked to conduct chemical researches for the assistance and development of industries in India and to consider the question as to what industries should be developed. I see that they have been developed in a certain way. It is no good developing the higher branches unless the basis of heavy chemicals is secure and later the basis of metallurgical industries, so that it is those two bases on which I have proceeded.

5500. *Q.* At any rate one important basis is the war basis. The late war brought into light from the chemical point of view the necessities of the war, and India was not producing practically any of them?

A. No.

5501. *Q.* If she were to devote herself by means of a tariff and Government assistance to this idea of making herself more or less self-sufficient for war materials have you considered whether it would be a commercial proposition? Could it be done by any industrialist with any hope of return on his capital?

A. Yes. I think that India is so placed as regards her raw materials that these products could be produced without any very considerable assistance. Of course, she might have to face competition at first, but considering the amount of raw material available in the country, I think that these industries could be developed in India without very great assistance.

5502. *Q.* The difficulty, the main difficulty, is that in normal times you want very little of the things which you want in abnormal times, in war times.

A. For instance explosives, dyestuffs and synthetic drugs are required in normal times perhaps to a larger extent than in war times. The same plant which is used for making dyestuffs and drugs can be turned to the production of explosives, which the Germans did during the war.

5503. *Q.* That is a very interesting point. I want to know how development of industries could probably be made by starting on a peace basis and then developed into one of extreme utility for war purposes.

A. Certainly. I think it would not be beneficial to keep on producing plants which will produce materials which are not required in peace time. You could secure this military security by industries which even in peace time were run as a commercial success.

5504. *Q.* The point being that you have the raw material available here in India?

A. Yes.

5505. *Q.* The industries are undeveloped almost?

A. Yes.

5506. *Q.* In developing them what aid should the State give?

A. In their initial stages, I suppose the State will have to give assistance by subsidies, because obviously it would not be possible to put an import duty on an article which was imported in considerable quantities in order to assist small experimental factories. But after that stage this industry would be best assisted by import duties.

5507. *Q.* I mean in the baby stage you would have subsidies?

A. I think it will be necessary to use subsidies in the baby stage.

5508. *Q.* Then, when it begins to grow Protection?

A. Yes.

5509. *Q.* When do you hope that it will become self-supporting?

A. If it were a key industry, even if it were not self-supporting, I will continue Protection?

5510. *Q.* And your definition of a key industry?

A. One which is necessary for the military security of the country.

5511. *Q.* That is the first point I wanted to develop. There are one or two small points. As regards explosives you make a statement here that India at the present moment produces a very considerable quantity of explosives. You say "I calculate that India is producing less (probably far less) than 4,000 tons of explosives annually and importing less (probably far less) than 5,000 tons." That is to say, India is at the present moment producing practically half of her requirements of explosives?

A. No. I do not say that. I say that India is producing probably far less than 4,000 tons and importing far less than 5,000 tons. These are limiting figures. The Ordance Department told me that they were not in a position to supply me with actual figures. The only figures that I could get (I have explained how) I got from the total consumption of nitrates and nitric acid in the country. As they are nitro-compounds the country cannot possibly be producing more than the consumption of nitrates in the country, probably far less.

5512. *Q.* Are we producing them anywhere?

A. Government is producing a certain number of explosives, for instance, at Aravankadu in S. India.

5513. *Q.* Is that all included in your production for commercial purposes? The figure of 9,000 tons you take to be the maximum consumption. Does that include also commercial production?

A. Yes.

5514. *Q.* It seems to me to be so extraordinarily small. I should have thought the Bawdwin mines alone would have made an enormous total.

A. For India's imports of explosives I had to go by the figures for imports of explosives as private merchandise *plus* total Government imports of arms, ammunitions and military stores, excluding fire-arms.

5515. *Q.* Have you got figures to show private imports?

A. Yes.

5516. *Q.* Can you tell us whether there has been any progress with a scheme for manufacturing sulphuric acid from zinc concentrates from Burma with Government assistance?

A. In this country?

5517. *Q.* Yes.

A. We have been informed that the scheme has been abandoned, at any rate temporarily.

5518. *Q.* For lack of money or has it been turned down as not sound business?

A. I do not know the reason.

5519. *Q.* This is the kind of industry you would like to see established in this country, a key industry producing chemicals which are absolutely necessary in war time?

A. Yes, but from my point of view there is one defect in the scheme. These concentrates from Burma would have to come by sea to India, until a railway has been developed between Burma and India.

5520. *Q.* I must entirely traverse your view. The cost of bringing the stuff by sea from the mines to the works, which will presumably be somewhere in Bengal, would not be so extremely high that it would prevent almost any business. As regards the railway the distance is enormous, and the country to be traversed is very difficult. We have at the present moment cheap sea freights to Calcutta from Burma.

A. It would be perfectly satisfactory in normal times, but in abnormal times, in war times, in the event of a blockade, if the railway existed, it could be brought by rail.

5521. *Q.* I do not think it will be a commercial possibility. I do not think we can have a railway which could not ever possibly pay in order to avoid another attack like the "*Emden*."

5522. *Sir Montagu Webb.*—*Q.* Dr. Watson, have you had any experience as a merchant or trader?

A. No.

5523. *Q.* I merely ask the question because you have put in answers to several questions on the subject of Imperial Preference, and in reply to the President you were giving your opinion as to what you thought the effect on prices would be of preferential duties. I want to know whether you have had any actual experience in these matters?

A. No.

5524. *Q.* You were giving a theoretical answer as to what you thought would be the best?

A. Yes.

5525. *Q.* A very distinguished witness in Lahore told us that his policy for the development of industries would be to nurse the babies, protect the children and free the adults. Could you give us any idea as to how long you think it would be before these chemical industries that you refer to will reach the adult stage? Have you got any idea as to how long it would be before they would be self-supporting, or is it beyond calculation?

A. I have not got any idea. Perhaps in 10 years they may develop.

5526. *Q.* In your answer to Question No. 19 you say you think that tariffs should be manipulated with the primary object of making the country self-contained as regards all essentials. I just want to make quite sure what you consider to be the essentials. Have you the purely military idea when you say "essentials"?

What do you mean by saying that the country must produce all its own essentials?

A. Yes, from the military point of view. That I had in my mind.

5527. *Q.* Chiefly.

A. Yes.

5528. *Mr. Coyajee.*—*Q.* Do you think that in the matter of agricultural industries we in India are as far developed as the Dominions of Australia and Canada?

A. I cannot tell you.

5529. *Q.* I am not going into details. What is your general impression? Are they ahead of us or not?

A. I think they are ahead of us.

5530. *Q.* Because I find that these Dominions are placing fairly heavy duties on chemicals. For instance, Australia has a duty of 15 to 25 per cent. on the various acids.

A. Because Australia has started to make its own synthetic dyestuffs.

5531. *Q.* That is the motive for these heavy duties?

A. Yes. They have deliberately put import duties with the idea of developing their own chemical industry.

5532. *Q.* Especially in coal-tar and things like benzol, and naphtha?

A. Yes.

5533. *Q.* As you say, for coal-tar we shall have to imitate their procedure?

A. I think so.

5534. *Q.* But in the matter of nitric acid Drs. Sudborough and Simonsen say that while our imports are small, this acid is made in adequate quantities in India. Is it your view?

A. That is true.

5535. *Q.* In that case you would require heavy import duties?

A. No. In the case of nitric acid I would make an exception.

5536. *Q.* But in the case of sulphuric acid, and coal-tar you would have heavy duties?

A. Yes.

5537. *Q.* In the matter of the manufacture of sulphuric acid Dr. Simonsen says that the sulphuric acid plants are comparatively small and are run somewhat inefficiently. Do you think that they will be destroyed in the competition by bigger plants? I do not quite understand now the effect of the 25 per cent. duty. Do you think that more efficient plants will be started which will wipe out these inefficient things?

A. I think the small plants would go away quite independently of any import duty. When more efficient plants were introduced these would go away.

5538. *Q.* Fixing a tariff for chemicals must be a highly complicated business, because there are so many raw materials. Do you think that rather an elaborate preliminary survey is necessary before framing our tariff?

A. I am afraid not only a preliminary survey, but constant supervision of a highly skilled character will be necessary.

5539. *Q.* In order to modify this tariff according to the necessities of the time and changes in the cost of production?

A. Yes. These chemical industries won't require Protection when they get going.

5540. *Q.* So we require a sort of permanent organisation?

A. Yes.

5541. *Q.* Skilled experts would have to be on the committee?

A. Yes.

5542. *Mr. Seshagiri Ayyer.*—*Q.* Dr. Watson, among the projects for developing key industries you include pioneering of industries by Government so that people may be educated in the art of these industries. You spoke about bounties and subsidies.

A. Yes. Demonstration factories.

5543. *Q.* Demonstration factories as they had in Madras. They started some and sold them to private persons. It will have an educative value. You will also include that?

A. Yes.

5544. *Q.* As regards the question of Imperial Preference, as Sir Montagu Webb elicited from you, you hold only a theoretical view? If you have not considered the matter fully I would not proceed further. Have you considered the pros and cons of the whole question? Or is it only your opinion which is theoretical?

A. It is a subject on which I hold strong views.

5545. *Q.* Then you are willing to be cross examined upon the subject? Or have you come simply to a theoretical conclusion without considering the practical effects of the tariff upon the matter?

A. I may perhaps mention the ground on which I have strong views. It will help to explain my attitude. I was connected with the manufacture of dyes in England during the war, and the Dye Stuffs Bill and the Safeguarding of Industries Act which has just been passed in England. I now find German dyes are being imported free of duty into this country. I feel that in order to give the British industries the same chance in the Empire generally and in India, a part of the Empire, that they are getting now by Government legislation in England, it is necessary that we should have the same duties or legislation in this country which would give these British industries the same assistances as regards the Indian trade as they are getting with regard to the English trade.

5546. *Q.* You know that the largest imports into this country are from the United Kingdom. About 89 per cent. of the imports are from the United Kingdom.

(*Sir Montagu Webb* 63 per cent. is the correct figure.) 63 per cent. of the imports come from the United Kingdom. If you take away 5 per cent. for preference, the result will be that you will have a very small proportion of goods coming in from other countries, and the import duties will be very much lessened, so that the Government of India would lose from it. Then again it would affect us by bringing a retaliatory war with countries to which no preference is given. Have you considered all these aspects of the question?

A. I think that as regards these tariff questions war between different countries is necessary.

5547. *Q.* Retaliatory wars?

A. It is inevitable.

5548. *Q.* Would you risk retaliatory wars by giving preference? Are you prepared to do that?

A. Yes. Even if we try to stand outside, I presume we will not escape the effect practically of other nations manipulating their tariffs for their own use.

5549. *Q.* In other words, you would ask India to suffer, though it may be that by imposing the duty she will have to lose revenue. You would have no objection to India suffering on that account?

A. I am willing that she should suffer some loss of revenue for these cordial relations.

5550. *Mr. Rhodes.*—*Q.* I have read your article with very great interest. I should like to ask you a few questions to elucidate further information about dyes especially. I understand that you are very intimate with them since you were engaged at home in the manufature of dyes during the war?

A. Yes.

5551. *Q.* An enormous amount of capital has been sunk in dyes at home, which I understand had no real practical advantage during the war. It was because either the war came to an end too soon or what was turned out was not of sufficient quality for use in munitions. Is it so?

A. I do not think so.

5552. *Q.* I heard it stated. I know nothing myself.

A. No. To the best of my knowledge that is not correct.

5553. *Q.* It was of great assistance to the growth of munitions?

A. Yes.

5554. *Q.* You had in India a proposal to prohibit German dyes. It was done in order to help the very large dye combine at home. Do you favour that view?

A. Yes, to give British dyes the same protection in India as they are now securing at home by the Dye Stuffs Bill.

5555. *Q.* But at the same time for military reasons you advocate the development of a big dye industry in India. Some of the dye industries are not very large. You are on the horns of a dilemma. Are you going to prohibit the import of British dyes in order to build up the Indian dye industry, or are you going to prevent in general the growth of the Indian dye industry in order to support the British dye industry?

A. My attitude is that I will give assistance. India should give what assistance she can to the British dye industry until the dye industry begins to come up, and then she must develop her own.

5556. *Q.* Have you considered it from the consumers' point of view?

A. Yes, the dye consumers in Cawnpore at present are using German dyes. They say that they are better in quality than the British dyes, and they are very pleased to have them.

5557. *Q.* Are they cheaper?

A. They say that the British dyes do not come up to the same quality. As a matter of fact they pay the same price for them that we pay for the British dyes, but they are much better in quality. That is the actual experience, so I have been informed. But as a matter of fact, at the present time they are not getting German dyes cheaper than the British dyes.

5558. *Q.* An import duty on German dyes would undoubtedly cause a rise in the price of dyes all round. Is it not so?

A. To the Cawnpore mills? I do not think so. I think up to the present moment the price of German goods are so artifical that you cannot come to the conclusion that an import duty on German goods would raise the price.

5559. *Q.* But I understand that it is a fact that Germany is producing better and more economically than England owing to longer experience and better organisation.

A. Yes.

5560. *Q.* The point I wish to get information on is this. Japan is importing freely German dyes for her textile industries and her textiles are being imported into India. This applies more especially to Calcutta than to Bombay, because Calcutta has got a sea-route from both places: Bombay has got certain advantages. If Japan gets her dyes free, are not we favouring Japan as against our own cotton industry?

A. Yes, I must admit that that seems to be a sound argument.

5561. *Q.* Here we have got conflicting interests.

A. Is the amount of Japanese cotton goods imported into India very considerable?

5562. *Q.* Very large in competition with the Bombay mills, especially not only in Calcutta, but you may take intermediate ports like Singapore and other places where India will eventually try to develop a large cotton goods trade and Japan is also trying. Would not that be rather handicapping our textile industry?

A. There is that danger.

5563. *Q.* There is another point in connection with the importation of intermediate products for the purpose of manufacturing other things. Would it not be a true though cruel statement to make that England in protecting her dye industry is protecting her lack of industrial knowledge and expertness as compared with the German dye experts?

A. Of course that was not the object of Government.

5564. *Q.* But the effect?

A. I do not think there is any evidence on which you can base such a statement.

5565. *Q.* What are we protecting? Are we not protecting our disqualification, are we not safeguarding our capability of producing munitions of war? Germany has the capital and the raw materials: we have the capital and the raw materials. Wherein lies the fact that the English industry needs Protection?

A. We have not developed this industry to the same extent as the Germans have. We have not the experience and the organisation.

5566. *Q.* Therefore, we are really protecting inexperience. We are protecting an industry which is seeking to develop itself. I say inexperience and not inefficiency. I am not using the word in any bad sense: simply we have not had the experience. Therefore, any Protection to the dye industry in England, would be a premium on inefficiency.

A. You may say that in the sense that to protect any industry which has not developed itself is encouraging inefficiency. You are encouraging them to try to develop something for which they have not the experience.

5567. *Q.* That is protecting inexperience with the intention that they would develop efficiency?

A. Yes.

5568. *Q.* In stating that you need Protection for chemicals, you regard it as a key industry in India?

A. Yes.

5569. *Q.* It is the basis of many industries: it is one of the ingredients of many industries. Therefore, in raising the price of chemicals you will be raising the cost of production of all those manufactures, and therefore are you not likely to prevent India becoming an exporting country for manufactured articles?

A. As I have said I hope that in the course of some years most of these industries will be able to do without the import duty to protect them.

5570. *Q.* Take the case of bleaching powder, and the case of intermediate ports like Singapore. Bombay will naturally want to secure bleaching powder for her textile mills in order to send bleached goods abroad. In the process of developing the manufacture of bleaching powder in India you will rather be hitting the textile industry and preventing its enlargement.

A. I do not think that the bleaching powder in particular would need Protection for very long. I think the Indian manufacture of bleacing powder would soon find itself in a very satisfactory position.

5571. *Sir Maneckjee Dadabhoy.*—*Q.* In answer to Question No. 14 you state, "I would protect essential industries even if they required continuous Protection." Would you extend Protection to existing industries only or to new projected concerns also?

A. Not only to existing industries, if they require it, but to new projects also.

5572. *Q.* Am I to understand from your answer to Question No. 18 that you will welcome foreign firms to start business here? Would you welcome Japan and Germany starting textile mills in India?

A. Yes.

5573. *Q.* But you say, "The Political Department would have to watch the foreign firms." You think that political propaganda might be carried on at the same time as commerce?

A. That was perhaps the chief point I had in mind. And also, there is the possibility that they might for instance start a manufacture and sell in this country at a price which would show that Protection is no longer necessary, and when Protection has been withdrawn they could import from their own country and kill the other concerns which manufacture the same products in India.

5574. *Q.* You say that if Protection is given, the foreigner also would share the Protection and then the foreign firms would be a danger to the local industries?

A. Yes. They will have to be watched.

5575. *Q.* Then, am I to understand from your answer that Protection should be given only to indigenous concerns,—industries started by indigenous capital? Suppose Japanese capital came and started an industry and if you find that that industry was doing damage to the Indian industries extensively, what would be your policy?

A. If I found that it was doing damage in the commercial way: that having established the manufacture it cut the prices down,—my idea is that the Industries Department, which must have a very good technical knowledge of industries, would realise that this particular firm was selling its products at a loss in order to undersell the local industries.

5576. *Q.* What would be your remedy?

A. I have not thought over it.

5577. *Q.* You say, "The chief gain to India which I anticipate from a system of Imperial Preference would be a welcome place in a strong Empire and military and naval assistance in case of need." Is not that position already assured to India by the existing trade relations?

A. I do not think those relations would suffer by a little preferential treatment.

5578. *Q.* Then you mean by preferenial treatment difference in customs tariff?

A. Yes.

5579. *Q.* Nothing else?

A. From this point of view that is what I had in mind.

5580. *Q.* Well, do you know that of the total volume of our imports to India two-thirds come from England and only one-third from the foreign countries?

A. That is what I have been told.

5581. *Q.* Now, the question would be: when large quantities come from England and India receives these imports, under present conditions,—when England is well off—why does she need further preference of any kind? She is already benefited by trade with India. Why do you want to give her preference? I cannot reconcile myself to the idea.

A. I have already said I am not a merchant. The particular point on which I have come into contact with this question is the question of the safeguarding of the dye industry. I should like to encourage this particular industry, which stands in need of assistance.

5582. *Q.* You say that preference which is not likely to injure foreign countries is not likely to benefit England. Is that not so? If England's exports to

India is more than two-thirds at present, how is she going to benefit by preference? If you are not prepared to answer I would not press you.

A. (No answer).

5583. *Sir Montagu Webb.*—*Q.* In reply to Professor Coyajee you said that import duties would be very complicated and required a great deal of study. In answer to Mr. Rhodes you also recognised that the imposition of an import duty on one product might handicap some other Indian industry?

A. Yes.

5584. *Q.* Was it not a fact that in reply to Sir Edgar Holberton you said that you would prefer to commence not with import duties, but with bounties and subsidies?

A. Yes.

5585. *Q.* So in your opinion, bounties and subsidies would not have the same bad effect as import duties would have?

A. Yes.

Witness No. 36.

Mr. S. M. HABIBULLAH, O.B.E, Collector, Saharanpur, U. P.

Written statement, dated the 12th December 1921.

5586. I have the honour to send my answer to Question No. 33 and a brief written statement of my views.

Question No. 33.	*Answer.*
Do you consider that it would be of advantage to India to impose an export duty on foodstuffs with a view to controlling their export and thereby lowering Indian prices and the cost of living ?	No. It will not.
What effect do you consider such action would be likely to have on the agricultural interests and on the quantity of foodstuffs produced in India ?	It will affect the agricultural interest adversely. It will also affect the quantity of foodstuffs produced in India.

The cost of living in India is cheaper than that of any civilized or industrial country. The increase in the prices of grain that prevailed of late did not proportionately exceed the increase in the wages and was faced by the majority of the working classes without much hardship. In the near future things would adjust themselves and people will be able to face the increased cost of living without feeling the pinch as they did in the past.

The control of the export of foodstuffs may only be found necessary during the famine days and abnormal seasons and that may be possible without imposition of any export duty. Any duty on the export of grain will affect the agricultural interest severely and thereby the largest trade of the country.

The value of land will depreciate and the tiller of the soil will also lose heavily.

Besides, it will check the expansion and development of agriculture and will tend to reduce the quantity of the produce of foodstuffs. The landlords and tenants will both suffer, and the relief to the non-agriculturists will be much less and insignificant as compared to the loss of the agriculturists.

Oral evidence, Cawnpore, the 16th December 1921.

5587. *President:*—*Q.* Mr. Habibullah, you are Collector of Saharanpur and you are interested in agriculture ?

A. Yes. I am a proprietor myself and I have managed large estates for a number of years.

5588. *Q.* You say in answer to Question No. 33 that the cost of living in India is cheaper than in any civilised or industrial country. Will you please tell us on what evidence you make that statement ?

A. My own experience during the travels I have made through the civilised countries in Europe.

5589. *Q.* You say, the observation during your travels ?

A. Yes.

5590. *Q.* You say "The increase in the prices of grain that prevailed of late did not proportionately exceed the increase in the wages and was faced by the majority of the working classes without much hardship." I would like you to explain that statement.

A. As you are aware, Sir, the prices of the last two or three years were unprecedented, but the working classes were not as badly off as they were on previous occasions. That means that the percentage of the rise in the wages of the labouring classes has been equal to the rise in the prices.

5591. *Q.* Labouring classes in what direction ? You mean people who derive their income from any particular trade ?

A. I mean labouring classes working in factories, in buildings,—any of those people who live by manual labour.

5592. *Q.* Their wages have increased and they have therefore been able to withstand the high cost of living resulting from the high prices ruling for foodgrains ?

A. Yes.

5593. *Q.* "In the near future," you go on to say, "things would adjust themselves and people will be able to face the increased cost of living without feeling the pinch as they did in the past." So, in the past they did feel the pinch because they had not adequate means to buy their requirements ?

A. The price of labour was much lower in the past. Wages have gone up and if the prices of foodstuffs go up the price of labour will increase further and things will automatically adjust themselves and people won't feel it.

5594. *Q.* How do you account for what we see in the newspapers that there was a great deal of open unrest in the Punjab and in the United Provinces in consequence of the dearness of foodstuffs ?

A. I am not responsible for newspaper statements.

5595. *Q.* Is it not a fact that there was a considerable amount of unrest, and to a certain extent a little lawlessness in consequence of scarcity of foodsupplies and high prices, both in the Punjab and in the United Province ?

A. The normal price of wheat used to be 7 or 8 seers and the present price is 4 seers; on the other hand wages have gone up from 4 to 12 annas. I do not think therefore that the unrest was due to high prices and inadequate wages for labour. There was a large population living on fixed wages and they created some trouble.

5596. *Q.* What is the percentage of that population ?

A. Very little.

5597. *Q.* Still this very little population was able to cause all this difficulty and trouble ?

A. Yes, a few people could create a lot of trouble.

5598. *Q.* You say "The control of the export of foodstuffs may only be found necessary during the famine days and abnormal seasons and that may be possible without imposition of any export duty". How would you regulate the foodsupplies of the people of India in famine and abnormal times ?

A. I would temporarily suspend the export.

5599. *Q.* The only remedy you would apply would be the prohibition of export ?

A. Temporarily.

5600. *Q.* Supposing the conditions are different. Where total prohibition would unduly injure the agricultural interests and keep back all the surplus, would you still advocate prohibition or levy an export duty and allow the small surplus to be exported ?

A. We are now dealing with temporary conditions, such as famine. I think temporary stoppage would be better.

5601. *Q.* We would be very interested to know if you could tell us what is the total production of foodgrains in the United Provinces ?

A. I am sorry I am not able to give you this information. I was asked only to give oral evidence.

5602. *Q.* Then, you think export duties should not be imposed in any circumstances to conserve the food supplies of the people of India ?

A. Yes.

5603. *Sir Maneckji Dadabhoy.—Q.* I understand that you are wholly against export duties on foodstuffs ?

A. Yes.

5604. *Q.* Is your opinion based on the abnormal conditions prevailing during the last two or three years as regards food supplies, or is it based on the general conditions of India ?

A. On both.

5605. *Q.* In the case of normal conditions, when there is abundant foodsupply you will allow that export to take place without any duty ?

A. Oh, yes.

5606. *Q.* Why ?

A. It will mean good price for the producer.

5607. *Q.* And you think a small export duty on wheat will affect the producer prejudicially ?

A. Yes.

5608. *Q.* Even a small duty ?

A. Yes.

5609. *Q.* And, you are of opinion that it will affect the general production ?

A. Yes.

5610. *Q.* You also think that it will depreciate the value of land ?

A. Yes.

5611. *Q.* How ?

A. By lowering the prices.

5612. *Q.* Then the only control you will exercise would be temporary prohibition ?

A. Yes.

5613. *Mr. Mant.—Q.* You say that an export duty on foodstuffs would restrict the expansion and development of agriculture and would tend to reduce the quantity of the produce of foodstuffs. I suppose you mean that poeple will take to growing other crops instead of foodstuffs if you put an export duty on foodstuffs.

A. I mean to say that they will not put their heart to the work when they cannot make money.

5614. *Q.* They will grow other crops instead of foodgrains ?

A. They might take to other forms of labour than agriculture : they might go to industrial centres.

5615. *Q.* But there are other crops which would pay cultivation ?

A. Perhaps, you know about Indian lands. There are certain tracts where you cannot grow more than one kind of crop.

5616. *Q.* On certain lands,—yes, but it appears to me that there are certain lands in the United Provinces in which different crops can be grown.

A. Would you please explain yourself to me ? You mean they could replace it ?

5617. *Q.* Suppose you put a duty on exports of wheat and the cultivator finds it paid him better to grow oil-seeds and cotton. Would he not put some of his lands to oilseeds and cotton ?

A. If his soil is of such a nature, but it would be so only in a few places.

5618. *Q.* We were given a different account of the Punjab. We were told that there were large tracts of land capable of producing competitiye crops.

A. The lands are more favourable to certain crops. If they cannot grow those crops on a profit and if they take to other crops they will be working under a handicap.

5619. *Q.* So when you were speaking of a reduction in the quantity of foodstuffs produced you were meaning absolute reduction in agricultural produce and not a substitution of one crop for another ?

A. Yes.

5620. *Mr. Rhodes.—Q.* I would just like to indent on your experience on one or two points. In the agricultural districts of the United Provinces, do you consider that the requirements of labour for agriculture are larger than the population or smaller, and could you produce the same crop with a less number of people ?

A. I think we could do away with a certain number of labourers.

5621. *Q.* You could spare them for industries ?

A. Not in that way. We could relieve them of the agricultural work if we do away with the system of small holdings. It would require reorganisation.

5 22. *Q.* The question was whether under present conditions you could spare labour from agriculture for industries ?

A. As you know, it is really on account of their love of home, traditions and customs, that a lot of people cling to their old villages although they make much less than a labourer who goes to the town. The man who goes out makes much more than his cousin living in the village. I think people are already leaving agriculture and going to industries.

5623. *Q.* You are anticipating my next question. Now, what class of the population is more inclined to drift to the industrial centres,—the more intelligent or the less intelligent ?

A. I think the more intelligent.

5624. *Q.* Then, agriculture, by industrial progress in India, is being slowly denuded of some of its more intelligent members ?

A. Yes.

5625. *Q.* You think that this process is steadily going on ?

A. Yes.

5626. *Q.* Is it serious enough to be any hardship or any danger ?

A. Oh, no.

5627. *Q.* But the tendency is for the more intelligent to go to industrial centres ?

A. Yes.

5628. *Mr. Seshagiri Ayyar.—Q.* You advocate total prohibition in famine times. You mean the prohibition of exports ?

A. Yes.

5629. *Q.* If there is a shortage of food what good would it do to prohibit exports ? In the Punjab there was a shortage of food for the people and prohibition of export was no good, and they were obliged to bring in imports ?

A. All would depend as to the action being timely or not. If you anticipate a shortage you should take action before it is really short.

5630. *Q.* You mean to say as soon as the harvest is over ?

A. As soon as you anticipate the famine: before things become acute.

5631. *Q.* Would it not be better to conserve the foodsupply in the country by imposing a small duty on the export of foodgrains ?

A. But a small duty would not stop it unless it is prohibitive.

5632. *Q.* 5 per cent.—would that suffice ?

A. It would not stop it. On the one side you leave a great principle and on the other you do not get any good.

5633. *Mr. Coyajee.—Q.* You are against an export duty on wheat ?

A. Yes.

5634. *Q.* It has been argued before this Commission in favour of such export duties that high prices of wheat do not benefit all agriculturists, but only the rich agriculturist, because the small agriculturist has hardly any surplus to sell and he has therefore to buy a certain amount of agricultural produce.

A. I understand that there are certain producers who only produce for their own consumption. There are others who produce in order to sell.

5635. *Q.* I want your view. Do you think this argument is valid that high prices do not benefit ordinary agriculturists ?

A. I think it hits everybody more or less. I do not agree that it does not hit everybody.

5636. *Q.* May I point out that the real argument is that as the small agriculturist has no surplus high prices do not benefit him.

A. It is incorrect; he always has surplus. If he had no surplus, how would he get other necessities of life? Do you mean to say he only eats?

5637. *Q.* I am only pointing out what has been said. This view has been advanced.

A. It is incorrect, I think.

5638. *Q.* Then again the same witness argued that low prices are not a disadvantage to agriculturists because they stimulate them to produce more. You do not agree with that?

A. Not a bit.

5639. *Q.* Then there is another argument which has been advanced on the subject that high prices have generally brought misery to the rural population, and that the general effect of the rise of prices on rural population has been very unfortunate.

A. It may be true in the past but things have changed now. Now people know how to meet high prices by adjusting themselves and raising their wages.

5640. *Q.* I am not talking only of labourers, but the rural population in general.

A. It is absolutely true that if one can get only a fixed income of Rs. 10 and he has got to pay Rs. 15, he will feel it.

5641. *Q.* I am talking of the whole rural population. Do you think the rise of prices generally has proved itself harmful to them?

A. It is felt no doubt. It is always felt by the non-producer.

5642. *Q.* But the producer does not feel it?

A. He always welcomes high prices.

5643. *Sir Montagu Webb.*—*Q.* It is well known that in this country the benefit of high prices obtained for produce goes to the fortunate agent and the middleman rather than to the poor agriculturist. Is that your experience?

A. If you will add the words 'and ignorant' after the word 'poor,' I will agree to a great extent, but not generally.

5644. *Sir Edgar Holberton.*—*Q.* In the course of your examination by the President, you had some discussion about the working classes. What do you include among them? Do you include agriculturists?

A. No.

5645. *Q.* You say the increase in the prices of grain was faced by the majority of the working classes without much hardship. What do you mean by working classes?

A. I do not include people who live on fixed incomes, like clerks, servants, etc.

5646. *Q.* What is the method of remuneration of the ordinary agricultural labourer in India?

A It varies in different places.

5647. *Q.* What is it in the United Provinces to your knowledge?

A. Even in the United Provinces, it varies. In some places there is the absolute cash system. In other places grain and cooked food. In Saharanpur, the system is cash payment.

5648. *Q.* When the price of foodstuffs are high, do those men get more?

A. Yes, certainly.

5649. *Q.* Their wages rise with the prices?

A. Yes.

5650. *Q.* Do they go down again with descending prices?

A. I have seldom seen wages come down once they go up.

Witness No. 37.

The UPPER INDIA CHAMBER OF COMMERCE, Cawnpore.

Written statement, dated the 8th December 1921.

5651. *Q.* 1. The Committee of the Chamber generally favour a policy of Protection.

5652. *Q.* 2. They consider that indirect taxation is preferable to direct taxation, and that a tariff provides a suitable form of indirect taxation.

5653. *Q.* 3-7. Being dependent on the acceptance of a policy of free trade do not arise.

5654. *Q.* 8. Excise duties cannot be imposed without raising the price to the consumer.

5655. *Q.* 9. Yes, the advantages would be the development of industries and of internal trade and the making of the country more self-supporting.

5656. *Q.* 10. India will always be dependent upon other countries for her requirements of certain manufactured goods. Among these may be included manufactures of all classes in their highest grades, *e.g.*, machinery optical and other glassware, scientific instruments, certain textile products, etc., etc.

5657. *Q.* 11. The protective tariff must be scientifically framed and applied with discrimination to such articles as can be manufactured in the country, or the raw materials of which can be more advantageously worked up in the country than exported. Revision of the tariff to meet altered circumstances or requirements must be one of its features. It should apply to all imports including those by Government in all its departments.

5658. *Q.* 12. This is almost completely answered in No. 11 above. Protection should, in addition, be afforded for the manufacture in the country of articles in the production of which India should be independent.

5659. *Q.* 13. Yes, the principles on which Protection should be extended to new industries should be:—

(*a*) reasonable chances of successful manufacture,

(*b*) utilisation of the raw material where it is more valuable to work it up than to export it, and

(*c*) need for independence of resources.

5660. *Q.* 14. To both classes of industries on their merits, and with due regard to their special interests.

5661. *Q.* 15. Yes, special Protection should be provided against dumping. Facts in this regard should be ascertained through British Consuls abroad and Indian trade representatives or consular agents. The measures of Protection necessary are best indicated in the Canadian laws against dumping.

5662. *Q.* 16. The attitude of the Chamber towards hand industries is benevolent and they should certainly be maintained.

5663. *Q.* 17. There is a danger, but this might be met by correcting the tariff whenever necessary to break a monopoly.

5664. *Q.* 18. This is more than likely: it is practically certain, and the Chamber would not be antagonistic towards such a movement.

5665. *Q.* 19. Conflicts of interest would be likely to arise but the difficulty would not be insuperable. Similar difficulties have been met in other countries, for instance, America.

5666. *Q.* 20. It would be passed on to the consumer, until such time as internal competition in the country regulated prices.

5667. *Q.* 21. The rise need not be permanent.

5668. *Q.* 22. Yes, but the increase would not really be such as to prove a burden.

5669. *Q.* 23. Yes. The Committee would consider the following as necessaries of life:— Foodstuffs, including vegetable oils and sugar, Cotton Cloth, Illuminating oil, and Salt.

5670. *Q.* 24. Yes, (*a*) wholly, (*b*) wholly, (*c*) partly.

5671. *Q.* 25. It should not have an adverse effect, if the tariff is so judiciously applied as not to antagonise India's customers abroad.

5672. *Q.* 26. Yes. This would follow upon the acceptance of reply to Question No. 25, above.

5673. *Q.* 27. Yes.

5674. *Q.* 28. Yes.

5675. *Q.* 29. Yes, a special organisation under the Commerce Department and in touch with provincial Departments of Industries.

5676. *Q.* 30-32. Speaking in general terms export duties should not be applied for purposes of revenue though there may be exceptions to this, such as the present export duty on Jute. The special purposes which would justify an export duty would be :—

(*a*) the retention in the country of certain products or raw materials, *e.g.*, bones, rice and other foodstuffs, oilseeds ;

(*b*) the financing of research or of special administration in any industry, *e.g.*, tea, lac, cotton ;

(*c*) the fostering of industries, such as tanning by a duty on hides.

5677. *Q.* 33. Only in special cases such as the present export duty on rice and possibly a duty on wheat.

Normally such action would not be likely to have any great effect on agricultural interests or the production of foodstuffs but in years of unusually good production an export duty might have an adverse effect on cultivators' profits.

5678. *Q.* 34. Generally speaking, no, but there might be occasion when the tax might be used for bargaining purposes.

5679. *Q.* 35. Yes. There does not seem to be any necessity for economic loss.

5680. *Q.* 36. No. But Empire preference should be on a reciprocal basis.

5681. *Q.* 37. No. The situation *vis a vis* India's foreign customers is touched on in the answer to Question No. 25.

5682. *Q.* 38. As a Chamber we can only generalise and not specify.

5683. *Q.* 39. The principle of reciprocity alone.

5684. *Q.* 40. Yes.

5685. *Q.* 41. The Committee do not consider that the total volume of Indian imports or exports can be materially affected for some time by Protection or Imperial Preference. The object of the proposed policy is to direct trade and commerce into the channels which are most advantageous to the country. Imports without exports, and *vice versâ*, cannot be maintained ; trade must balance. It is however the opinion of the Committee that the prosperity of the country will steadily grow under a scientific tariff and that thereby both exports and imports will gradually increase.

5686. *Q.* 42. The complete diversion of trade from foreign countries is not contemplated. It is even possible that the volume might increase as the country became more prosperous. The object of Imperial Preference is to direct to the countries within the Empire such trade as is advantageous to producers within the Empire.

The principles of Protection and Imperial Preference are in the opinion of the Committee, based on the assumption that internal trade is the most valuable of all, is easily controlled and makes a country self-sufficient and self-suporting. Trade within the Empire is the next greatest asset and is more valuable and more easily controlled than foreign-trade. The development of foreign-trade, however, cannot be ignored, but it must not be at the expense of internal trade or of trade within the Empire. Hence the Committee advocate a scientific tariff.

Oral evidence of Mr. GAVIN JONES, President, Mr. TAYLOR, Member, and Mr. RYAN, Secretary, Upper India Chamber of Commerce, dated the 17th December 1921.

5687. *President.*—*Q.* You are the President of the Upper India Chamber of Commerce.

A. Yes.

5688. *Q.* With reference to Question No. 11, your Chamber thinks that Government by means of the large purchases they make could help in the development of industries by trying to purchase as far as possible local goods ?

A. Government is a large consumer, especially the Railways, and you could not possibly have a tariff without the Government also submitting to it. It would be totally unfair and useless without this.

5689. *Q.* I take it that the idea is that one of the directions in which Government could help the establishment of industries is by tariff, and also by making their purchases locally if possible ?

A. Yes.

5690. *Q.* In answer to Question No. 12, you say "Protection should, in addition, be afforded for the manufacture in the country of articles in the production of which India should be independent." Are there any particular articles in the Chamber's mind when they expressed this view ?

A. The Committee have not considered this in detail. The idea in my mind at the time was munitions and articles that are necessary in times of emergency.

5691. *Q.* That is to say, what are commonly called key industries ?

A. Yes.

5692. *Q.* In answer to Question No. 30, your Chamber says, "The special purposes which would justify an export duty would be (*a*) the retention in the country of certain products or raw materials, *e.g.*, bones, rice and other foodstuffs, oil seeds." What do you think would be the effect on the producers in this case ?

A. I think the duty will have to be so small as not to affect the producers. We generally object to an export duty, but if it is required for special purposes, it might be put on. We have mentioned these special purposes. Some of these duties are now in force for special purposes.

5693. *Cancelled.*

5694. *Q.* I was particularly anxious to know in regard to these two things, foodstuffs and oil seeds, what object is proposed to be attained by the imposition of export duties, whether it is purely for revenue purposes or whether it is for conserving the foodstuffs of the country or helping the oil industry ? What is the real object ?

A. In the case of foodstuffs there might be an occasion on which there is shortage and we want to keep the foodstuffs in the country. It will only be a temporary measure. But generally speaking foodstuffs should be exported free. If a small duty is an advantage in special cases, we see no objection to it. That is the general statement. There is a duty on rice now for a special purpose. It has done no harm to the producer. A special duty on jute might be advantageous to the jute manufacturer. Duties must only be put on after very careful consideration.

5695. *Mr. Ryan.*—The feeling in regard to oil seeds was that India could work up all its oil seeds.

5696. *Q.* It has been suggested to us that the total production of linseed is 900,000 tons, and that while imposing a special export duty on linseed would help very few crushers of oil, the producers of the whole 900,000 tons would have to accept a lower price.

A. I can only give you my impressions. It is a question really to discuss with the oil trade. My own opinion is that there can be a certain amount of duty on oil seeds. That is all.

5697. *Mr. Ryan.*—There is a feeling that one industry is quite neglected, and that is the manufacture of varnish.

5698. *Q.* Can you give us any detailed information as regards the manufacture of varnish ?

Mr. Ryan.—It could be manufactured in this country. The imports are far too great. India could supply her own varnish.

Mr. G. Jones.—The raw materials all come from India. There is no reason why India should not be a manufacturing centre for varnish. Now-a-days we send the raw materials home and they come out in the shape of varnish to India.

5699. *Q.* We should be very glad to hear from you what should be done to establish and develop the varnish industry.

A. Mr. Ryan.—The feeling is that a small protective wall would help matters.

5700. *Q.* In answer to Question Nos. 35 to 39, your idea is that Imperial Preference should be based on the principle of reciprocity alone, and that arrangements should be made which should be to the mutual advantage of both countries ?

A. Yes.

5701. *Q.* In answer to Question No. 41, you say ".It is the opinion of the Committee that the prosperity of the country will steadily grow under a scientific tariff and that thereby both exports and imports will gradually increase." That is to say with the economic well being of India the demands will grow and ultimately there will be no adverse effect on the import and export trade of the country ?

A. Yes.

5702. *Sir Edgar Holberton.*—*Q.* Could you tell us what industries and commerce or trades your Chamber represent ?

A. It is given in this note. (Appendix A.)

5703. *Q.* With reference to Question No. 8, you say excise duties cannot be imposed without raising the price

to the consumer. That is an interesting view as we have heard the opposite expressed before us. Could you elaborate it a little for me ?

A. It is a thing we cannot prove. The cotton expert might answer the question, but I would like to state my ideas. You can never prove that duties raise prices to the consumer, because prices depend on a variety of circumstances. There is no doubt if you have an excise duty, somebody has got to pay for it.

5704. *Q.* You think the consumer has got to pay ?

A. The consumer has got to pay it.

5705. *Q.* In answer to Question No. 13, you state that the principles on which Protection should be extended to new industries should be....."(c) need for independence of resources." What do you exactly mean by 'independence of resources' ? You are speaking very largely with reference to key industries. Apart from key industries, could you be independent ?

A. I think the country would be far stronger if it were more self-supporting. We are dependent on other countries now for railway and engineering materials, and when we have difficulties, such as those caused by exchange or war, we are not sufficiently independent.

5706. *Q.* Your trouble really would arise in exceptional circumstances, such as exchange difficulties or war ?

A. Yes, but still at the same time I would like to have the country even in ordinary times more self-supporting than she is at present.

5707. *Q.* But you would not wish to push it to extremes ?

A. We cannot be independent of other countries. If we want any trade at all, we must have import and export.

5708. *Q.* Then your view is that at the present time the country is too dependent ?

A. We are too dependent on agriculture.

5709. *Q.* You want to build up something else side by side ?

A. Yes.

5710. *Q.* With reference to Question No. 15, can you tell us exactly what they do in Canada ?

A. Mr. Ryan handed over a note (Appendix B) to Sir E. Holberton. *Mr. Ryan.*—This was prepared by Government in 1917, in connection with an enquiry into trade problems after the war.

5711. *Q.* With reference to your answer to Question Nos. 11, in conjunction with your answers to Questions No. 23 and 14, you do not propose to apply your tariff to all imported things ?

A. No.

5712. *Q.* You state that the tariff should apply to all imports, including those by Government in all its departments. You mean all selected imports whether imported by Government or otherwise ?

A. Yes.

5713. *Q.* There seemed to be a little inconsistency. I just wanted to bring out the point.

A. If a duty is imposed on an article, everyone must pay it.

5714. *Q.* In some cases it would simply mean in the case of Government putting money from one pocket into another ?

A. In some ways it would be so, but the whole point really is that we want to foster industries.

5715. *Q.* In reference to your answer to Question No. 33, you indicate that in years of unusually good production an export duty might have an adverse effect on the cultivator's profits, because he would have a smaller market for his products ?

A. Yes. Export duties should never be imposed if it means harm to the producer in this country.

5716. *Q.* What I wanted to find out was, do you, having resided in this country for a good many years, think that the loss would actually fall on the cultivator or the middleman ?

A. If it is a small duty, I do not think it would fall on the cultivator.

5717. *Sir Montagu Webb.*—*Q.* I see that your Chamber has a membership of nearly 100 members. We have been accustomed to consider that some most successful industries have flourished under a system of free trade, and yet we find that when we ask your view in the matter, you are in favour of another system altogether. What I want to ask you is, have you felt yourself that the development of industries in the country has been in any way handicapped by the tariff system we have had in the past ? Have they actually been handicapped in any way by free trade principles ?

A. I put it this way that the development would have been far greater and more rapid under a protective system, especially in the matter of sugar,

5718. *Q.* That was before the war ?

A. Before the war industries such as sugar, iron and steel, engineering, boots, shoes and glass were handicapped, but not since the war.

5719. *Q.* In your answer to Questions Nos. 30 to 32 you say "Speaking in general terms export duties should not be applied for purposes of revenue." I have always understood that the existing export duties are purely for revenue purposes. You say in the following paragraph "only in special cases such as the present export duty on rice." But I have always held that the export duty on rice is purely for revenue purposes. The present export duty on jute is, I understand, purely for revenue.

A. The whole tariff at the present moment is purely revenue.

5720. *Q.* You say you object to such a duty because it falls on the producer. I want to get at the reasons for thinking that the producer in this country ought not to pay this as well as anybody else ?

A. The consumer naturally will have to pay the tax. But our meaning really is that the tariff should be framed much more with the object of Protection than purely with the object of revenue.

5721. *Q.* In other words, you would prefer to raise money by taxing the consumers rather than by taxing the producers ?

A. Both have to pay, the producer as well as the consumer.

5722. *Q.* I take it that as you state that you are against export duties you would prefer the consumers to pay rather than the producers ?

A. Yes.

5723. *Q.* The whole view of the Chamber is based on the belief that it is better to tax the consumer rather than the producer, and you have said just now that this country is rather too dependent upon agriculture. If a policy of Protection is introduced the tendency will be to raise the prices in India. Do you think that any general rise in prices would be likely to add to the dissatisfaction and discontent which is at present existing in the country ?

A. I do not think so.

5724. *Q.* We have reason to believe that this discontent has arisen from economic conditions. Do you think that this discontent would be increased ?

A. I do not think so.

5725. *Q.* You think that this country is a little too dependent on agriculture and you advocate a policy calculated to stimulate the development of industries. It has been put before us that this policy involves a grave risk. In times of shortage of crops this country might suffer very severely, because the population is so great that it may be very difficult to provide food from outside if we run short of food in this country. Do you think that a wide stimulation of industries would be likely to affect the production of foodstuffs in this country ?

A. It should not, if the tariff is properly framed.

5726. *Q.* If it is framed with the object of stimulating industries, a certain number of people will be drawn away from agricultural pursuits, and there will be a retrenchment of agricultural pursuits, and by that measure the full production may be reduced, or it may not grow ?

A. I should say that it is more likely to grow.

5727. *Q.* Why ?

A. Because if they have a given market at their door for their production they are likely to improve their cultivation. This applies especially to the sugar industry.

5728. *Q.* You think that it should increase by having the market close at hand ?

A. They might get better prices for their produce by having the market close at hand.

5729. *Q.* Do you think that it would be likely to encourage agricultural development ?

A. Eventually it would. Agriculture is bound to be the predominant industry in India but if you have got a big industrial population it must create a market for the agricultural produce, and there is greater prosperity all round.

5730. *Q.* In a season when the rains fail, you will have a greater population dependent upon the growth of foodstuffs. What of that possibility ?

A. That is quite true. But of course we can always import, if necessary.

5731. *Q.* Can a country like India really get food from outside ?

A. I hope that this country will always be able to supply itself in normal times. But in abnormal conditions it can import food from outside.

5732. *Q.* Then I take it that the answer to my general question is that you do not fear that the stimulation of

industrial development in this country will in any way augment the risk to agriculture?

A. No.

5733. *Mr. Seshagiri Ayyar.*—*Q.* As regards Question No. 16 you say that the attitude of the Chamber towards hand industries is benevolent and that they should certainly be maintained. Would you give any Protection to the hand-loom industries?

A. Any duty would include the whole weaving industry; you could not differentiate.

5734. *Q.* As regards Question No. 18, if foreign firms establish themselves in this country in consequence of Protection, you say that your Chamber would welcome the movement. It has been put to us that it would be desirable that a certain amount of the share capital should be subscribed by Indians and that a certain proportion of the management of the business should be in the hands of Indians.

A. I do not think we represent the Europeans only. We represent Indians and Europeans. We merely say we want industries to be established. Naturally as it is the Indian industries that are developing I should say the bulk of the capital and management will fall into the hands of Indians.

5735. *Q.* You won't impose any conditions?

A. Certainly not.

5736. *Q.* I want to elaborate the question which was put by Sir Montagu Webb. If you impose an export duty on food grains it has been suggested that the price will be reduced to less than the world price, and that the producer would suffer thereby, and there would be a chance of some of the fields producing grains being left uncultivated. That view was put to us very strongly in the Punjab. Do you agree with that?

A. Personally, as I have said at the beginning of my note I do not believe in export duties, and if they are put on they should be so small that they do not affect the producer.

5737. *Q.* In your answer to Questions Nos. 35 to 39 you say that the principle of reciprocity alone should be applied. I want to clear a doubt which is in my mind whether reciprocity not only with the Empire but also with foreign countries would not be much more beneficial to India. You are restricting reciprocity to reciprocity between India and the Empire?

A. I have said that it would be better to develop trade within the Empire. It promotes the solidarity of the Empire, which is of advantage to India as to the rest of the Empire.

5738. *Q.* Don't you think that India would suffer to some extent economically?

A. I do not see why she should suffer.

5739. *Q.* Because if you have reciprocity within the Empire and not between India and other countries, to a certain extent India would suffer.

A. You can't have preferential treatment all round.

5740. *Q.* Why should you not have reciprocal arrangements with all countries with whom you have to trade?

A. You cannot give preferential duties all round; the result would be no preferential duty to anyone.

5741. *Q.* The question is: what would be most beneficial to India? I should like to put it from the point of view of India.

A. I think that reciprocity within the Empire would be of advantage to India purely and simply from the Indian point of view.

5742. *Q.* With reference to Question No. 41 you say "Imports without exports and *vice versâ* cannot be maintained; trade must balance". I do not quite understand that?

A. Trade is exchange of commodities really, and if you import you must export. You don't want to stop trade.

5743. *Q.* Supposing that there is more import than export, what would be the position of India?

A. If you have more imports, you must have some other assets to pay for them. You must pay for your imports, that is a simple question of economics.

5744. *Q.* I do not quite understand it. You say that imports and exports must balance each other.

A. That must be so. You must be paid for your exports with your imports.

5745. *President.*—It is not merely exchange of commodities. It may represent metals and other things. There are various other ways.

A. In Great Britain there are shipping and banking services and investments abroad.

5746. *Mr. Seshagiri Ayyar.*—*Q.* You are dealing in answer to Question No. 41 not only with the import and export of goods but also with other matters which the President just now mentioned: metals and payment for surplus and so on?

A. Yes.

5747. *Mr. Rhodes.*—*Q.* In your answer to Question No. 11 you talk of a scientific tariff. There are some people who think that scientific tariffs are a possibility. There are some people who think that scientific tariff is really another name for the big industries going up to the popular representatives and shouting the loudest. In America and Australia they are doing it by lobbying. I would like to have your views. Don't you think that there is a real practical difficulty?

A. I quite see the danger you have suggested. This is the only really strong argument against Protection. But I do not think we should throw out Protection which is sound in every other way for fear of political intrigue.

5748. *Q.* You mention you can have a scientific tariff. You think it is really possible?

A. I do.

5749. *Q.* You do not think that it would result in political intrigue?

A. I do not think so. After all you have got a number of interests in India, the landed interests, the agricultural interests which are largely represented, and I do not see why the industrial interests should get the upper hand.

5750. *Q.* It would not be really scientific. It will be a question of who shouts loudest, whether it be the agricultural interests or other interests?

A. It is a question for the administration and the country to work the thing in a scientific way. There are many details which require scientific adjustment.

5751. *Q.* Another point I want to ask is about Government paying duties. I quite see the force of your argument that unless Government pays duties, the Protection of most industries is useless. But don't you think that it is really a case of transferring money from one pocket to the other?

A. The substance of it really comes to this that the Government do not pay any more for the stuff, because they get money back again in the shape of revenue. And the producer gets his money.

5752. *Q.* You naturally wish Government to buy the locally manufactured goods in preference to the imported goods. If goods have to be imported, would it not be better for Government to buy from the country rather than to indent direct from the manufacturer?

A. Certainly.

5753. *Q.* In that case there is no question of Government having to pay duty?

A. If it buys from the importer in India our object is gained.

5754. *Q.* Would that, in your opinion, be better?

A. I certainly think so. So long as the duty is paid we do not care.

5755. *Q.* Mr. Ryan suggested in regard to the question of varnish and other things that export duties would be likely to develop the industries. Don't you think it would be better to have import duties on varnish?

Mr. Ryan.—That is another way of doing it. We have recommended both methods. Export duty is a minor matter, import duty is a major matter.

5756. *Cancelled.*

5757. *Q.* Then you would rather have an import duty?

A. It is better that we should have both.

5758. *Q.* Could you achieve your object by an export duty or by increasing the import duty still further?

A. In the matter of the export duty on oilseeds varnish is a very small item.

5759. *Q.* I am asking you about varnish, whether import duties would be more effective than export duties?

A. Yes.

5760. *Q.* As regards the development of the industrial population, you have first got to have regular hours and regular work. The second point is to have men with the required skill. Do you think that it is possible if we develop from these points of view, and train up our labour, that we would progress more rapidly than we do now?

A. Mr. Gavin Jones.—As recently there has been great development during the war, the development will be rapid.

5761. *Q.* Do you think that the education in both directions of the industrial worker will be so rapid that we can advance much more rapidly than we are doing at present?

A. I think so.

5762. *Q.* Can the education and training of the industrial worker be accelerated so rapidly as to keep pace with the development that your Chamber look forward to?

A. Personally I think it can be developed rapidly.

5763. *Mr. Mant.*—*Q.* I want to clear up one point in regard to the proposal of your Chamber that Government

should pay duty on imports. I understand that your scheme is not a general protective tariff, but a tariff for particular industries?

A. Yes.

5764. *Q.* You would have side by side with it a tariff for revenue purposes, because Government has got to get money from the Customs, and you do not contemplate that things you do not protect should be imported free of duty altogether?

A. Not if the revenue is necessary. If you have got to derive revenue from this source you must do it.

5765. *Q.* So you really have a tariff which is partly for revenue and partly for Protection. In fact, a double set of duties, one set for revenue purposes and the other for protective purposes. Do you propose that Government should pay duty on all articles or only on the articles for which protective duties are imposed?

A. I think Government must pay on all articles. Otherwise the whole arrangement will be upset. They don't really pay the duty. They get it back again in revenue.

5766. *Q.* There are objections which have not been mentioned. It greatly magnifies the revenue and expenditure. I want to ask whether you know the practice of other countries in this matter. Do other Governments pay duties on the goods that they import?

A. I could not say. I should think India is exceptional, considering the large consuming Departments that exist here as compared with other countries.

5767. *Q.* As regards export duties, I think you receded a little from the view taken by your Chamber. You do not want to impose any duties large enough to have any appreciable effect on prices. Is not that practically your position?

A. Yes.

5768. *Q.* What is the use of these duties in that case?

A. We only mentioned duties to which we saw no objection and which we thought there would be no harm in imposing.

5769. *Q.* In your answer to Questions Nos. 30 to 32 you enumerate three special purposes which would justify the imposition of export duties, one of which is the retention in the country of certain products or raw materials for purposes of manufacture. What I want to ask you is, if the duties are so small that they won't affect the price, you will not effect the object which you have in view? The only object of imposing them is to restrict exports and reduce price.

A. It is very difficult to answer these things generally. We don't want to injure the producer.

5770. *Q.* This really washes out your argument in your answer to Questions Nos. 30 to 32. It is not really for the purpose of retaining the articles.

A. I want the retention of certain products or raw materials. *Mr. Ryan.*—It is rather a curious thing that while we are discussing the retention of oilseeds and bones the matter is now before the Legislature for putting an embargo on the export of all manures and of levying a 10-per cent duty on oil seeds. It is evident that somebody else has got some idea or desire to retain these in the country by means of an export duty.

5771. *Q.* That somebody else may not have the same solicitude for the interests of the producer which the Chamber has?

A. Our feeling is undoubtedly that the depletion of the country in manures is deplorable, and that certain things such as oil seeds could be much more advantageously worked up in the country than they are at present.

5772. *Q.* If you impose a tax which is sufficiently high to reduce the price thereby and restrict exports, you are not going to avoid injuring the producer?

A. It might be only temporary. But eventually the intention is to aid him.

5773. *Q.* Then you would have to put a high duty to reduce prices?

A. It must be high enough to restrict exports.

5774. *Q.* I think Government once made enquiries into the question of restricting the export of bones. To the best of my knowledge bones would not be used in this country. They simply lie and rot. That is why they have not taken any action.

A. Mr. Jones.—Because they are not being crushed. If there were crushing agencies throughout the country, I think they would be actively collected. When the trade was open with Germany they did not lie and rot to that extent. They were exported.

5775. *Q.* Are they still lying and rotting now?

A. I think so.

5776. *Mr. Mant.*—*Q.* What is the use of putting on an export duty, if the bones are not going to be used in the country?

A. Mr. Taylor.—There is a good factory going up for the purpose of crushing bones. *Mr. Jones*—We would certainly like to keep the bones in the country. They are at present exported.

5777. *Mr. Mant.*—*Q.* How much is exported?

President.—About 100,000 tons.

5778. *Mr. Mant.*—*Q.* What proportion of the amount produced?

President.—*A.* That I do not know. Enquiring into this matter I gathered that the real reason is that most of the agriculturists are Hindus and they would not touch them or use them.

Mr. Seshagiri Ayyar.—I do not think it is so. I am a Hindu and I use them.

President.—But I hear that the Hindu agriculturists would not touch them or use them as manure.

5779. *Mr. Mant.*—*Q.* I want to ask you whether the prevention of export of bones will stimulate their manufacture here?

A. Mr. Taylor.—We can give you one instance of an industry being put up as an experiment. If that is a success others will follow.

5780. *Mr. Mant.*—*Q.* I have only one other question, and that is to ask whether the Chamber has considered with reference to answer to Question No. 29 what organisation would be required to work this scientific tariff?

A. Mr. Jones.—That is a question we have not into in detail.

5781. *Q.* You cannot help us with regard to any detail?

A. Mr. Ryan.—We left that for the Commerce Department to work out.

5782. *Sir Maneckjee Dadabhoy.*—*Q.* Your Chamber represents both European and Indian interests, and after Calcutta and Bombay, your Chamber comes next in importance?

A. Mr. Jones.—I think Karachi will dispute that.

5783. *Q.* Is it not so?

A. Mr. Jones.—We consider we are important. *Mr. Ryan.*—There is one thing that we would say: we exercise a balancing power.

5784. *Q.* I would like therefore to make the position clear. Your Chamber is an important Chamber and it is a balancing power. I understand the result of your oral examination to-day is that India is far too dependent on agricultural industries and that other industries should grow up side by side with agriculture and that development would be more rapid if a sort of impetus is given by reasonable Protection to industries?

A. Mr. Jones.—Yes.

5785. *Q.* And the tariff policy generally ought to be regulated in such a way as to protect the interests of the country?

A. Mr. Ryan.—You cannot talk of it as a policy: it is an expediency.

5786. *Q.* Your Chamber thinks that this policy would be expedient in the interests of India?

A. Yes, undoubtedly.

5787. *Q.* When was your Chamber established?

A. In 1888.

5788. *Q.* Sir Montagu Webb asked you what would be the position of the agricultural industry if there was general drought in India and if rain did not fall, and I understood you to say that that would be a danger common to every country?

A. Yes, that it would be a danger common to every country which depends on rainfall.

5789. *Q.* All parts of India produce foodstuffs. Are you aware of a total drought in all parts of India at one and the same time?

A. No.

5790. *Q.* With the improvement of the means of transport in India from one province to another that difficulty would be overcome to a great extent?

A. Yes.

5791. *Q.* Then, again, Mr. Rhodes raised the question whether the danger of political intrigue would not be subversive of the policy recommended by your Chamber?

A. That is a danger which faces every protectionist country.

5792. *Q.* That danger would be minimised by conflicting interests in India itself?

A. Yes.

5793. *Q.* Then as regards Mr. Mant's question. There are two duties, revenue duties and protective duties. If the revenue duties are heavy enough would they not come in as protective duties?

A. Mr. Ryan.—They would. Sugar is a case in point.

5794. *Q.* In answer to Question No. 12 you say "Protection should be afforded for the manufacture in the

country of articles in the production of which India should be independent". You mean here key industries.

A. Mr. Jones.—Yes.

5795. *Q.* Then your answer to question 30 about export duties. I understand you are not generally in favour of export duties and that you would put them on only in case it is necessary to keep the foodstuffs in the country?

A. It is a thing to be put on with great discrimination.

5796. *Q.* And the object is to conserve the food supply of the country?

A. Yes.

5797. *Q.* Have you considered in this connection the effect of prohibition? In the opinion of your Chamber which is better, restriction of export by duties or prohibition?

A. I am not in a position to say. It would all depend on circumstances.

5798. *Q.* Sometimes prohibition would be more expedient; sometimes export duties would be more expedient?

A. Yes.

5799. *Q. President.*—You say that Government should pay the import duties and that it really amounts to book entries. Supposing the standard rate of 11 per cent. which is now levied on most article was applied to Government imports purchased abroad and there was a local industry manufacturing the same article. Would not this policy lead to finding out whether in the country itself the manufactured articles could be had cheaper? I will put to you a hypothetical case. Suppose the unit is 100 and Government buy abroad at 100, while they could buy the same article in India, I mean a locally manufactured article at 105. Obviously the Government would feel that 105 is 5 per cent. more than what they pay when they get it landed in the ports after purchasing abroad. Your object is that if they calculated the 11 per cent. duty on 100, the cost to Government would be 111, and therefore the local goods at 105 would be really cheaper?

A. Yes.

5800. *Q.* And that is why you advocate it. You think that it would be helping Indian industries?

A. We want the Government to buy direct from the country.

5801. *Mr. Rhodes.*—*Q.* I challenged the Government in a certain debate in the Assembly to say whether in estimating the cost of buying from a local importer and buying from home they did or did not take into account the item of revenue in the form of duty. Whether it was an oversight or not I do not know, but the Government gave no reply to that challenge.

A. That is a very important point. (*Mr. Ryan.*) The Chamber has on several occasions drawn attention to fallacious Government costings by the omission of duty.

5802. *President.*—*Q.* I should be very glad if you could give any specific instance. That suggestion of yours if acted upon would show in the spending Departments the actual amounts spent by them and not the lower amount without taking the duty into consideration. The revenue would show so much more though it may be a book entry. It would give a clearer conception of the amount spent by the different departments if the duties are added to their purchases.

A. Mr. Ryan.—At present they show a fallacious account.

APPENDIX A.

5802(*a*). The Chamber was inaugurated in 1888.

There are 80 members, *viz.*, 28 outstation members including 9 Indians and 19 Europeans, and 52 Cawnpore members including 18 Indians and 34 Europeans.

Classified list of members subjoined:—

Cotton Yarn and Cloth Manufacturers.

1. The Victoria Mills Co., Ltd.
2. The Muir Mills Co., Ltd.
3. The Elgin Mills Co., Ltd.
4. Mr. B. R. Briscoe.
5. The Agra Spinning & Weaving Mills Co., Ltd.
6. The Agra United Mills, Ltd.
7. The Edward Mills Co., Ltd.
8. The Melaram Cotton Mills.
9. The Ramchand Gursahai Mal Cotton Mills Co., Ltd.
10. The New Ramchand Cotton Mill Co.
11. The Sri Gangaji Cotton Mills Co, Ltd.
12. The British India Corporation, Ltd. (Cawnpore Cotton Mills Branch.)

Cotton Yarn Manufacturers.

1. The Swadeshi Cotton Mills Co., Ltd.

Cotton Ginners.

1. Messrs. J. N. Cocolas & Co., Ltd.
2. Rai Bahadur Lala Kanhaiyalal.
3. Messrs. Juggilal Kamlapat.
4. The West's Patent Press Co., Ltd.

Cotton and Yarn Dealers.

1. Messrs. Gangadhar Baijnath.
2. Lala Chunni Lal.
3. Messrs. Munna Lal & Co.
4. Messrs. Motilal Ramkumar.
5. Messrs. Nehalchand Baldeo Sahai.

Sugar.

1. The Cawnpore Sugar Works, Ltd.
2. The Champaran Sugar Co., Ltd.
3. The Ryam Sugar Co., Ltd.
4. The Union Indian Sugar Mills Co., Ltd.
5. Messrs. Bird & Co.
6. Messrs. Carew & Co., Ld.
7. The Tribeni Desi Sugar Works.

Railways.

1. The East Indian Railway.
2. The Oudh & Rohilkhand Railway.
3. The Great Indian Peninsula Railway.
4. The Bombay, Baroda and Central India Railway.
5. The Bengal and North-Western Railway.
6. The Rohilkund and Kumaon Railway.

Jute.

1. The Beharilal Kunjlal Jute Mills and Ginning Factory.

Oils.

1. The Premier Oil Mills, Ltd.
2. Naraindass Luchman Dass.
3. Lala Hazari Mal.

Hides, Skins and Leather.

1. Mr. C. T. Alen, C.I.E.
2. Mr. H. M. Halim, K.B.
3. Messrs. A. Forbes & Co.
4. Messrs. W. B. Shewan & Co.
5. The British India Corporation, Ld. (Messrs. Cooper Allen & Co. Branch).
6. The British India Corporation, Ld. (The North-West Tannery Co. Branch.)

Engineering.

1. The British India Corporation, Ld. (The Empire Engineering Co. Branch.)
2. Messrs. J. H. Johnson & Co.

Machinery and Motors.

1. Mr. T. Gavin Jones.
2. Messrs. W. H. Brady & Co., Ltd.
3. Messrs Skippers & Co., Ltd.
4. The British India Corporation, Ld. (Empire Engineering Co. Branch.)
5. Messrs. J. H. Johnson & Co.

Banks.

1. The Imperial Bank of India.
2. The National Bank of India, Ltd.
3. The Alliance Bank of Simla, Ltd.
4. The Allahabad Bank, Ltd.
5. Babu Kailas Nath Khanna.
6. Babu Ram Narain.

Flour Mills.

1. The Ganges Flour Mills.
2. The Karundia Industrial Development Co., Ltd.

Brushes and Bristles.

1. The Brushware, Ltd.
2. Messrs. Allen Bros. & Co., Ltd.
3. Messrs. Skippers & Co., Ltd.

Woollen.

1. Mr. A. W. Lilley, M.B.E.
2. The British India Corporation, Ltd. (Cawnpore Woollen Mills Branch.)
3. The New Egerton Woollen Mills Co., Branch Dhariwal.

Builders and Contractors.

1. Messrs. J. Frozzoni & Co.
2. Messrs. Ford & Macdonald, Ltd.
3. Messrs. N. G. & R. Abbott.
4. Messrs Abbott Brothers.

Electric Supply and Engineering.

1. The Indian Electric Supply & Traction Co., Ltd.

Chemicals.

1. Messrs. D. Waldie & Co., Ltd.

Tobacco.

1. The Imperial Tobacco Co. of India, Ltd.

Soap.

1. North West Soap Co., Ltd., Meerut.

Miscellaneous.

1. Messrs. Begg, Sutherland & Co.
2. Pt. Balbhadra Prasad Tewarj.
3. Mr. W. C. de Noronha.
4. The Western India Prospecting Syndicate, Ltd
5. Messrs. Chari & Co., Ltd., Agra.
6. The Charleville Hotel Co., Ltd., Lucknow.
7. The Eastern States of Central India Export Trust, Maihar.
8. Messrs. E. Dyer & Co., Solan.
9. Messrs. Ganeshi Lal & Son, Agra.
10. Messrs. A. John & Co., Agra.
11. Messrs. J. H. Johnson & Co., Aligarh.
12. Mr. Edward Keventer, Aligarh.
13. The Pioneer Press, Allahabad.
14. The Upper India General Trading Co., Ltd, Lucknow.

Paper.

1. The Upper India Couper Paper Mills Co., Ltd., Lucknow.

Glass.

1. Western India Prospecting Syndicate, Ltd.

APPENDIX P.

5802(*b*). *Section 6 of the Canadian Customs Tariff, 1907.*

" In the case of articles exported to Canada of a class or kind made or produced in Canada, if the export or actual selling price to an importer in Canada is less than the fair market value of the same article when sold for home consumption in the usual and ordinary course in the country whence exported to Canada at the time of its exportation to Canada, there shall, in addition to the duties otherwise established, be levied, collected and paid on such article, on its importation into Canada, a special duty (or dumping duty) equal to the difference between the said selling price of the article for export and the said fair market value thereof for home consumption; and such special duty (or dumping duty) shall be levied, collected and paid on such article although it is not otherwise dutiable.

" Provided that the said special duty shall not exceed fifteen per cent. *ad valorem* in any case:

" Provided also that the following goods shall be exempt from such special duty, *viz.*:—

(*a*) Goods whereon the duties otherwise established are equal to fifty per cent. *ad valorem*;
(*b*) Goods of a class subject to excise duty in Canada;
(*c*) Sugar refined in the United Kingdom;
(*d*) Binder twine or twine for harvest binders manufactured from New Zealand hemp, bristle or tampico fibre, sisal grass or sunn, or a mixture of any two or more of them of single ply and measuring not exceeding six hundred feet to the pound.

" Provided further that excise duties shall be disregarded in estimating the market value of goods for the purposes of special duty when the goods are entitled to entry under the British Preferential Tariff.

" 2. 'Export price' or 'selling price' in this section shall be held to mean and include the exporter's price for the goods, exclusive of all charges thereon after their shipment from the place whence exported directly to Canada.

" 3. If at any time it appears to the satisfaction of the Governor in Council, on a report from the Minister of Customs, that the payment of the special duty by this section provided for is being evaded by the shipment of goods on consignment without sale prior to such shipment, the Governor in Council may in any case or class of cases authorize such action as is deemed necessary to collect on such goods or any of them the same special duty as if the goods had been sold to an importer in Canada prior to their shipment to Canada.

" 4. If the full amount of any special duty of customs is not paid on goods imported, the customs entry thereof shall be amended and the deficiency paid upon the demand of the Collector of Customs.

" 5. The Minister of Customs may make such regulations as are deemed necessary for carrying out the provisions of this section and for the enforcement thereof.

" 6. Such regulations may provide for the temporary exemption from special duty of any article or class of articles, when it is established to the satisfaction of the Minister of Customs that such articles are not made or sold in Canada in substantial quantities and offered for sale to all purchasers on equal terms under like conditions, having regard to the custom and usage of trade.

" 7. Such regulations may also provide for the exemption from special duty of any article when the difference between the fair market value and the selling price thereof to the importer as aforesaid amounts only to a small percentage of its fair market value."

Rules under Section 6 of the Canadian Customs Tariff, 1907, as amended from time to time.

" 1. Invoices in duplicate properly certified shall be delivered at the Customs House with the bills of entry for all imported goods.

" 2. Every such invoice shall contain a sufficient and correct description of the goods and in respect of goods sold by the exporter shall show in one column the actual price at which the articles have been sold to the importer and in a separate column the fair market value of each article as sold for home consumption in the country of export.

" 3. The 'price' and 'value' of goods in every case aforesaid are to be stated as in condition packed ready for shipment at the time when, and at the place whence, the goods have been exported directly to Canada.

" 4. When the value of goods for duty purposes is determined by the Minister of Customs under the provisions of the Customs Act, by reason of the goods being exported or imported under unusual conditions, the value so determined shall be held to be the fair market value thereof.

" 5. In making Customs Entry the 'special duty' may be shown by itself in the 'net duty' column of the entry on the line below the article subject to special duty, or on the line below continuous numbers of articles subject to special duty.

" 6. Goods of a class or kind made in Canada are subject to special duty, when sold for exportation to Canada at a less price than for home consumption in the country of export, whether such goods be otherwise free of duty or subject to specific or *ad valorem* duties with the exception stated in the Clause of the Tariff as hereinbefore quoted:—

" 7. Under the special duty provisions of the Customs Tariff, the special duty (or dumping duty) is not to apply in the following cases, *viz.*:—

(*a*) When the difference between the fair market value and the selling price of the goods to the importer in Canada does not exceed 5 per cent. of their fair market value.

Provided that the whole difference shall be taken into amount for specal duty purposes when exceeding 5 per cent.

Provided, further, that special duty (or dumping duty) under the Customs Tariff shall without exemption allowance apply to articles of a class or kind made in Canada when admitted free of ordinary duty and shall also without exemption allowance apply to round rolled wire rods of iron or steel.

"8. Bonâ fide *samples admitted without special duty*—Articles of merchandise for use *bonâ fide* as samples for sale of similar goods are to be admitted without special duty—(subject, however, to ordinary duties as heretofore).

"9. *Advance in market value after purchase of goods by importer not subject to special duty.*—The amount of any advance in the market value of goods between the time of their purchase by the importer and the date of their exportation to Canada shall not be subject to special duty after 9th November 1904, provided the goods have been exported in the usual course and the actual date of purchase established to the satisfaction of the Collector by contract or other sufficient documents produced for his inspection and attested to.

Provided, however, in respect of goods subject to an *ad valorem* duty that the ordinary duty shall be collected (as heretofore) on the fair market value of the goods as at the time of their direct exportation to Canada under the provisions of Sections 40 and 41 of the Customs Acts. (Revised Statutes of Canada, 1906, Chapter 48.)

"10. Rule to be observed (for special duty purposes only) in comparing 'fair market value' and 'export price.'—In computing the difference for special duty purposes between the 'fair market value' in the country of export and the 'selling price to the importer in Canada,' the fair market value of goods is to be estimated on the usual credit basis, except when the article is universally sold in the country of export for cash only, in which case the fair market value is to be estimated on a cash basis.

Provided that a *bonâ fide* discount for cash not exceeding 2½ per cent. when allowed and deducted by the exporter on his invoice may be allowed in estimating the fair market value of goods for duty purposes.

Examples—

(1) Hats sold for home consumption at 100 dols., on credit subject to 8 per cent. cash discount, would be liable to special duty if sold to a purchaser in Canada on usual credit at 92 dols. but would not be liable to special duty if sold to a purchaser in Canada for 92 dols. cash.

(2) Machinery sold for home consumption at 100 dols. on credit subject to 2½ per cent. cash discount, would not be liable to special duty if sold to a purchaser in Canada for 91 dols. cash, as the 'difference' does not exceed 7½ per cent. after raising the cash price (91 dols.) by 2½ per cent. to its Credit equivalent."

5802(*c*). Reference is also invited to a paragraph transcribed below from "the Economist" of July 29th, 1916, describing a feature of the Revenue Bill recently introduced inthe House of Representatives at Washington :—

Extract from "the Economist" of the 29th July 1916.

"New Taxes" and prevention of Dumping in the United States.—A feature of the new Revenue Bill recently introduced in the House of Representatives at Washington, and approved on July 10th, by a vote of 240 to 140, is the clause aimed at the prevention of "dumping" by direct penalisation of offending firms. Part of Clause 7, under the heading "Unfair Competition," as reported in the "New York Journal of Commerce," reads as follows :—

"Section 601. That it shall be unlawful for any person importing or assisting in importing any articles from any foreign country into the United States, to commonly and systematically sell or cause to be sold such articles within the United States at a price substantially less than the actual market value or wholesale price of such articles, at the time of exportation to the United States, in the principal markets of the country of their production or of other foreign countries to which they are commonly exported, after adding to such market value or wholesale price, freight, duty and other charges and expenses necessarily incident to the importation and sale thereof in the United States: Provided, that such act or acts be done with the intent of destroying or injuring an industry in the United States or of preventing the establishment of an industry in the United States, or of restraining or monopolising any part of trade and commerce in such articles in the United States.

"Any person who violates or combines or conspires with any other person to violate this section is guilty of a misdemeanour, and on conviction thereof, shall be punished by a fine not exceeding $5,000 or imprisonment not exceeding one year, or both, in the discretion of the court.

"The same section goes on to provide redress for any person who may consider himself to have been injured in his business through unfair competition, allowing him to sue for threefold damages from the dumper"

Witness No. 38.

Mr. TAYLOR.

[*This witness did not submit any written statement.*]

Oral evidence, Cawnpore, the 17th December 1921.

5803. *President.*—We have been told that the protection which the revenue duty now secures for the cotton industry, *i.e.*, the margin of 7½ per cent. is quite adequate to enable the local cotton industry to successfully compete with imported articles both from Japan and from Lancashire. Will you kindly inform us if that is so?

A. In my opinion it is.

5804. *Q.* Most of the piecegoods imported from Lancashire are of a superior kind?

A. Yes.

5805. *Q.* And where locally manufactured goods compete with Lancashire it is within a narrow margin of the lower grades produced by Lancashire as against the higher grades produced in India.

A. That is as regards the Bombay manufactures,—yes.

5806. *Q.* The Indian cotton industry has also to compete with Japan, and it is the lower grades that are imported from Japan.

A. I have not very great knowledge of what is imported from Japan except in regard to one particular item, that is cotton hosiery. I see that it has been able to compete pretty successfully with the local manufactures here.

5807. *Q.* What I am particularly anxious to know is as to the qualities which Japan imports into India. I understand that what Japan imports into India is practically what India manufactures herself. I want to know whether the effect of this margin of 7½ per cent. in the direction of Protection is adequate for the interests of the Indian manufacturers in competition with Japan. I do not want to bring in Lancashire now.

A. I have not very much experience of Japan, but I do not think Japanese goods compete very much.

5808. *Q.* Perhaps we could get that information in Bombay. Have you looked into the cost of production in India, in Japan and in Lancashire?

A. No, I have not.

5809. *Q.* Do you think that there should be an excise duty? What are your views as regards this duty?

A. I do not think there should be this duty.

5810. *Q.* Then you would favour its abolition?

A. Yes.

5811. *Sir Maneckjee Dadabhoy.*—In your opinion, this 7½-per cent. margin is just sufficient at present. That judgment, I understand is based on your experience of the present conditions?

A. It is based on the present conditions.

5812. *Q.* How long have you been in India?

A. About 22 years.

5813. *Q.* Are you aware that in 1896 there was a period of great depression in India in textile industries?

A. I had no experience of the Indian textile industry in those days.

5814. *Q.* You are not aware for what period that depression lasted?

A. No.

5815. *Q.* In 1900 again the industry fell on worse days. Do you know that?

A. I had no personal experience of the Indian textile industry until 1910.

5816. *Q.* You are not aware of the vicissitudes of fortune which the Indian textile industry has undergone during the last 25 years, and therefore your opinion that this 7½ per cent. margin is sufficient Protection is based only on the present prosperous condition of the industry.

A. Yes, only on the present prosperity of the mills.

5817. *Q.* Don't you think that the present prosperity of the mill industry is due to two or three important causes,—the general rise in the wages of labour in England specially and in Europe in general; the high price of coal in England; the want of men due to the large number killed in the great war. All these causes have contributed to the prices of foreign cloth being raised.

A. I think it is.

5818. *Q.* And correspondingly, in sympathy with that rise, the prices of Indian cloth have also risen generally?

A. Yes. But Indian mills too suffered similarly in regard to the rise in wages.

President.—The price of raw cotton has been high.

5819. *Sir Maneckjee Dadabhoy.*—When English manufacturers put cloth in India at a lower price, the profits of the Indian mill industry would considerably diminish?

A. I should think so.

5820. *Mr. Mant.*—I understand you consider that the difference between the excise and the customs duties, *viz.*, 7½ per cent. is a sufficient measure of protection to the cotton trade, but you would advocate the abolition of the excise duty. Can you tell me who would benefit by that remission?

A. I should think that the consumer pays the larger portion of the duty.

5821. *Q.* We have been told that in fact, the prices of nearly all protected goods tend to rise to the level of the prices of the imported article *plus* the duty. You have a large margin of 7½ per cent. already. Surely anything above that margin is really taken by the manufacturers. To put it in another way, would you reduce your prices by 3½ per cent. if the excise duty was taken off?

A. That entirely depends on the demand. Would it simplify matters, Sir, if I say I am quite prepared to see the import duty reduced to 7½ per cent. if the excise duty is taken off?

5822. *Q.* I should personally have no objection to that, but the trouble is that the Government wants it for the purpose of revenue. Did you say that you could not compete with Japanese cotton hosiery?

A. I said that they were able to compete very successfully in this country.

5823. *Q.* And, you do not suggest a protective duty on that account?

A. Well, I do not think I would put on a special duty. I think we have got quite sufficient at present and I think in course of time we will be able to compete successfully.

5824. *Mr. Rhodes.*—I would like to pursue this excise question a little further. I take it that when you objected to the excise duty you objected to this countervailing duty of 3½ per cent., *i.e.*, the duty put on to give Lancashire the same basis as India?

A. Yes.

5825. *Q.* Now, as regards the question of taxing the people, do you think that if a certain amount of taxation has to be levied on the poorer classes of the people, then cotton excise duties and import duties are as good a way as anything else?

A. We, as a Chamber, are in favour of indirect taxation.

5826 *Q.* Would it be in the form of an excise duty when the revenue is needed?

A. The excise duty is there. I personally object to it, but I recognise that Government must have the revenue.

5827. *Q.* In what way do you object to it?

A. I object to a country like India being in such a position that any other part of the world can dictate the imposition of an excise duty, as I think has been done in this case by Lancashire.

5828. *Q.* But suppose you were considering taxation, without this unfortunate history behind it, would you put an excise duty on cotton goods, as long as you preserve the 7½ per cent. margin?

A. I think it is wrong in principle to put an excise duty on cotton goods. Our Chamber has been fighting against the excise duty for years.

5829. *Q.* I raised the question entirely from the point of view of revenue. Is that a suitable form of taxing the masses, and if not, would you suggest other forms?

A. It is a suitable form so far as it is readily raised and raised with the minimum amount of inconvenience to Government and with the minimum amount of labour. At the same time that does not alter my view that it is wrong.

5830. *Q.* Would you suggest any other article on which the masses could be taxed?

A. I am afraid I could not at the moment.

5831. *Q.* The reason for your objection to the excise duty is against the purpose for which it was once imposed?

A. That is bound to colour one's opinion.

5832. *Q.* I would like to ask you whether the conditions in Cawnpore are similar to those in Bombay, or if you have any advantage owing to the fact that your industry is situated right in the heart of the country. We have heard a good deal about the railway rates. I would like to hear from you whether you have a measure of Protection or a disadvantage which the Bombay mills have not.

A. We have an advantage in so far as there is a certain amount of low grade cotton for us here cheaper than Bombay can get it, and we have a demand for goods made from that low grade cotton in this part of the country. If we go to anything of a better nature, where we have to import our cotton from areas to which Bombay has easier access we are at a disadvantage.

5833. *Q.* You get cheaper coal here?

A. Yes.

5834. *Q.* Cheap labour?

A. The labour is cheap, but it is not as efficient as it is in Bombay.

5835. *Mr. Seshagiri Ayyar.*—Only one question. Would you suggest any Protection for the handloom industry against the powerloom industry?

A. I do not think so.

5836. *Q.* Then how would you help it?

A. It does not pay the 3½ per cent. excise duty.

5837. *Q.* You would only give that Protection and nothing more?

A. I do not see it needs any more.

5838. *Q.* Then would you like to retain the excise duty for that purpose?

A. No. I would like to see the excise duty abolished.

5839. *Q* Then the handloom industry would suffer to some extent. You say the handloom industry is protected to the extent of the 3½ per cent. excise duty, and supposing you take away the excise duty, would not the handloom industry suffer?

A. It would to that extent.

5840. *Mr. Coyajee.*—A proposal has been put before the Commission that an import duty should be put on yarn of counts above 40 in order to enable the spinning mills in this country to undertake the spinning of those counts. Are you in favour of that proposal?

A. I am afraid I have not given it very much consideration. Here we have very little hope of spinning anything above 40 counts. That is a question which Bombay can answer.

5841. *Q.* So far as you are concerned in Cawnpore in the near future, there is no talk of spinning higher counts?

A. No.

5842. *Q.* It has been also asserted that the 11 per cent. duty has caused considerable restriction of the imports of both English and Japanese piecegoods. Is that so?

A. I have not studied the figures.

5843. *Q.* What did you mean when you said that the present protection of 7½ per cent. is adequate? Did you mean that it restricted imports and helped you?

A. Judging by the position of the Indian textile trade generally at present, it seems to me that they have got a sufficient measure of Protection now.

5844. *Sir Montagu Webb.*—*Q.* You are against excise duties and you would like to see them removed?

A. Yes.

5845. *Q.* But if they were removed, I take it on the whole, it would benefit the Indian manufacturer in this country?

A. I think to a large extent excise duties are paid by the consumers.

5846. *Q.* But the Chamber holds the view that generally it is better to tax the consumer than to tax the producer, so that if Government requires money, and taxes fall on the consumer, say, a consumption tax not only on cotton but other things, would that be open to objection in your mind?

A. (*Mr. G. Jones.*) How would you levy a consumption tax?

5847. *Q.* Exactly in the same way as you levy the excise tax. What I want to get at is this. You are against the

excise tax because it is paid by the consumer. But you consider the consumer is the man that ought to be taxed rather than the producer?

A. (*Mr. Taylor.*) I do not think I said I was against the excise duty because it was paid by the consumer.

5848. *Q.* I am only quoting the Chamber's opinion that as a general policy the tax should be paid by the consumer rather than the producer. That being so, I am trying to get at your objection to the excise tax.

A. I think I explained to Mr. Rhodes that a good deal of the objection to the excise duty has got to do with its history.

5849. *Q.* You would have no objection to that type of consumption tax?

A. No. I think you lay too much stress on the fact that it is paid by the consumer. It has got to be paid either by the producer or the consumer and our object is to encourage trade.

5850. *Sir Edgar Holberton.*—*Q.* You say you get coal cheaper than Bombay. Do you mention that as an every day occurrence when trade is normal?

A. Yes. I think we have that always.

5851. *Q.* The railway freight here is cheaper than the steamer freight for Bombay?

A. I think it has been in the past.

5852. *Q.* That was during the war period?

A. Yes.

5853. *Q.* You have not got the figures?

A. I have not got the figures, but the general impression is that we get coal cheaper.

5854. *Q.* What distance are you from Calcutta?

A. 633 miles.

5855. *Q.* From the coal mines how far are you?

A. 400 and odd miles.

Witness No. 39.

Mr. T. GAVIN JONES, Cawnpore.

Written statement, dated the 17th December 1921.

5856. *Q.* 43. I am interested in the mechanical engineering trade.

5857. *Q.* 44. There are no special natural advantages from the manufacturing point of view for the trade, but there is a large and growing market in the country for our products.

5858. *Q.* 45. I consider that the industry is essential to national security in times of war, as was proved during the war, and is of substantial importance to the economical prosperity of India, seeing that all other industries are in some way or other dependent on the engineering trade.

5859. *Q.* 46. The organisation and equipment of the industry in India as compared with other countries, is deficient and has only been developed to a limited extent.

5860. *Q.* 47. The market for our products is in India.

5861. *Q.* 48. The industry has to meet with competition from the United Kingdom and the Continent. The competition extends to all classes of products.

5862. *Q.* 49. The engineering industry in competing countries has the advantage of skilled and experienced labour, proximity to the large iron and steel producing industries of the world, and a world-wide market.

5863. *Q.* 50. I consider the industry should be protected to help development and give stability to the trade which will induce the investment of capital in the industry. I have not studied the question closely enough to definitely state the exact rate of duty that should be imposed to protect the various interests concerned in the engineering and Iron and Steel trades without injuring the consumer. Roughly stated I would suggest a tariff on the following lines :—

	Per cent.
Pig Iron	2½
Iron and Steel, wrought . . .	7½
Machinery generally . . .	15
Textile machinery . . .	10
Agricultural machinery . . .	5
Railway plant	15

5864. *Q.* 51. I consider it most likely that in course of time the level of development would be such as to enable the industry to face foreign competition without the aid of Protection.

5865. *Q.* 52. I do not think dumping tactics are applied to our trade by foreign countries.

5866. *Q.* 53. At the present time competition from other countries is very greatly accentuated by depressed exchanges in foreign countries.

5867. *Q.* 54. I do not think the phenomenon is likely to be permanent.

5868. *Q.* 55. The question of exchange depression is too complex for me to comment on here. Finance and the adjustment of war debts appear to be at the root of the matter. Matters will not settle down till exchange is stabilized and tariffs cannot effect this.

5869. *Q.* 56. There have been no enhancements of tariff in our trade, but there is no doubt that the abnormal circumstances existing during the war acted as a strong stimulant.

5870. *Q.* 57. There are no export difficulties connected with our trade.

5871. *Q.* 58. The finished product of our industry is not used as raw material in other industries. I refer of course to the engineering trade, pure and simple, and not to the Iron and Steel trades.

5872 *Q.* 59. We use as raw material for our industry half-wrought material such as Pig Iron, Rolled Steel, Bars, Angles and Girders, Rolled Steel Plates and Sheets. Also wrought and half-wrought materials of non-ferrous metals such as copper, tin, and zinc. The industry for the manufacture of Pig Iron, Rolled Bars, Angles and Girders is already established and is likely to be established for steel plates and sheets, but the industry is still in its infancy.

5873. *Q.* 60. I would prefer a system under which industries receive a sufficient amount of Protection in accordance with their needs.

Oral evidence, Cawnpore, the 17th December 1921.

5874. *President.*—*Q.* The engineering trade depends on a growing market in India?

A. Yes.

5875. *Q.* You regard the engineering trade as an essential industry?

A. Yes.

5876. *Q.* You think it is essential, because it is of substantial importance to the economic prosperity of India, seeing that all trades are in some way or other dependent on the engineering trade?

A. It is a key industry.

5877. *Q.* In your answer to Question No. 46, you say "The organisation and equipment of the industry in India as compared with other countries is deficient and has only been developed to a limited extent." Would you advocate any special measures for putting the industry on a more efficient basis?

A. Yes, tariff.

5878 *Q.* Anything else especially?

A. Nothing.

5879 *Q.* You say the industry has to meet with competition from the United Kingdom and the Continent. The competition extends to all classes of products. The remedy would be to protect the industry till it can stand on its own legs?

A. Yes.

5880. *Q.* With reference to your answer to Question No. 50 in which you suggest a tariff on certain lines, I should like to know on what basis you have made these suggestions?

A. You have put me a difficult question. I would not like to bind myself to the exact figures. That can only be ascertained by consulting the trade all over the country and the consumers as well, but the principle to be adopted is that the raw material which is used in the engineering trade such as pig iron, and bars angles and materials of that sort, should have an import duty so as to support the iron and steel trade. I think the iron and steel trade should be supported and you have to put a higher duty on to the manufactured and finished article. I have put textile machinery at a lower rate because I do not think we would be able to manufacture it in the country in large quantities for some considerable time. It is rather a special trade and you want to develop your Indian manufacturing industry. Therefore I put textile machinery on a lower basis. Agricultural machinery I put on a lower basis still because the agriculturist has not yet been educated to use agricultural machinery to any large extent, and the question of manufacturing agricultural machinery in India cannot be considered at present. Railway plant is one of the things that could be manufactured in India. I think it should be developed as rapidly as possible. Those are the rough principles on which I would base it. There are other allied trades, such as hollow-ware, which I have not mentioned here. I had no time to go into all these. It requires careful study, which would be the duty of the Commerce Department.

5881. *Q.* Dealing with the 4 classes, machinery generally, textile machinery, agricultural machinery and railway plant, what are the prospects of India being able to manufacture machinery generally, for which you recommend a duty of 15 per cent. In making this recommendation, I think your idea is very probably that India should try and manufacture all these herself?

A. It is a question of gradual development.

5882. *Q.* But in the meantime, don't you think that India's greatest need at present is machinery and more machinery for development of her industries?

A. Yes, she requires machinery.

5883. *Q.* Don't you think that these duties from 5 to 15 per cent. would act deterrently?

A. I do not think so. They can afford to pay that easily. They have been paying a great deal more. Under abnormal conditions a large amount of plant has been purchased at very much higher prices. Prices will go down now.

5884. *Q.* We have got to base our recommendation on approximately normal conditions. That is why I ask, what effect these high duties would have on the general idea of importing machinery largely for the purpose of developing resources?

A. When you get down to normal times, I do not think this will affect the demand. We do not want a high duty which will affect the development of India.

5885. *Q.* If you thought that these duties would affect the quantities of machinery which can be imported by India, you would not advocate duties at these rates?

A. I should not put a check on import, certainly not, for the development of the country.

5886. *Q.* Then take the case of textile machinery. Some of the mills that have been erected have got to buy machinery worth Rs. 50 lakhs, and 10 per cent. would mean Rs. 5 lakhs more capital for that textile industry. Do you think it could stand all this?

A. I do; they have paid a great deal more.

5887. *Q.* I know they paid more in abnormal times and tried to make up by abnormal profits. We are dealing with normal times.

A. There is another point about this. The consumer of course eventually pays, but, as a matter of fact, the trader has very often to sell considerably cheaper than the imported price, and it is quite possible even with this duty, the buyer would still be purchasing in India at the same rate, or even lower, perhaps than the rate at which he would be able to import if the duty were not there.

5888. *Q.* Do you think then that these duties will in actual practice be paid by the manufacturer and not by the buyer?

A. Yes, in some instances.

5889. *Q.* In what instances?

A. If the manufacturer can manufacture things very much cheaper than the price at which they could be purchased in England the manufacturer lowers his price in order to increase demand.

5890. *Q.* That is to say the manufacturer finds a market even at a loss?

A. No, he would not find it at a loss.

5891. *Q.* Then will he reduce his profits or his costs?

A. He will reduce his costs by greater efficiency.

5892. *Q.* Take agricultural machinery. Surely it is in the interests of India to develop agriculture through machinery if it is possible to do so.

A. Certainly.

5893. *Q.* Do you think India would be able to manufacture agricultural machinery by the help of this 5 per cent. duty?

A. It would not be able to at present.

5894. *Q.* What would be the effect on the demand in India? Would it not be discouraged to some extent?

A. I do not think the 5 per cent. would affect it at all.

5895. *Q.* Then the railway plant, which particular parts of railway requirements could India manufacture? Could India manufacture locomotives?

A. India could manufacture locomotives.

5896. *Q.* Which kind of railway plant can be manufactured in India?

A. I would not like to make a sweeping statement. The bulk of it could be manufactured.

5897. *Q.* You think 15 per cent. duty on imported railway plant would greatly help in the development of manufacture of these articles?

A. I think so.

5898. *Q.* In answer to Question No. 59, you say that the industry is still in its infancy. Then you think that this industry requires to be supported by means of Protection?

A. Yes.

5899. *Q.* During the period of its infancy?

A. Had it not been for the war, there would be no iron and steel industry in India. The war gave them effectual Protection to build them up. If you want the industry to live, it has got to be supported. That is my opinion.

5900. *Q.* You think that the iron and steel industry is a key industry or essential industry which ought to be supported?

A. Yes, I do.

5901. *Q.* Then in answer to Question No. 60, you state "I would prefer a system under which industries receive a sufficient amount of Protection in accordance with their needs." Does this specially refer to the engineering industries or does it apply generally to all industries?

A. You can practically take it as a general statement.

5902. *Q.* You mean all forms of engineering industries?

A. Yes.

5903. *Sir Edgar Holberton.—Q.* Would you consider it likely that the assistance you ask for this industry will be permanent or temporary?

A. I think it is temporary.

5904. *Q.* You think that the industry would be enabled to live through the time during which it is going to have undue competition?

A. When the industry is sufficiently established, I think it would live.

5905. *Q.* Do you call the engineering industry an infant industry or are you established?

A. We are established, but compared to the Continent, the engineering industry is in its infancy.

5906. *Q.* What is your firm?

A. The Empire Engineering Company.

5907. *Q.* What do you do?

A. We are manufacturers, general engineers. We manufacture sugar machinery, oil engines.

5908. *Q.* How long have you been going?

A. About 20 years.

5909. *Q.* What was the state of business in your concern before the war? Was it smaller or greater?

A. Very much smaller.

5910. *Q.* It has grown during the war in size?

A. Yes.

5911. *Q.* And also in prosperity?

A. Yes.

5912. *Q.* In fact, it has got out of the infant stage?

A. You may say that the firm has got out of it, but I am talking of the industry as a whole.

5913. *Q.* You are talking about the possibility of others?

A. Yes.

5914. *Q.* You could not go on?

A. The productions of the engineering trade in India are very limited.

5915. *Q.* You are an importer of pig iron?

A. No.

5916. *Q.* Where do you buy pig iron?

A. We buy it from India, Tata's or the Bengal Iron.

5917. *Q.* You don't buy any foreign pig iron?

A. We sometimes do.

5918. *Q.* Where do you get it from?

A. We get it from Calcutta. We generally depend upon the steel workshops.

5919. *Q.* That accounts for your not being afraid of dumping?

A. I do not think so. That is a matter I would rather that you discussed with the steel trade.

5920. *Q.* I think it has not troubled you?

A. It has not troubled me.

5921. *Sir Montagu Webb.*—*Q.* With regard to your proposed 15-per cent. duty on railway plant, do I understand you to mean that you think that it would not handicap the development of industries in this country?

A. I do not think so.

5922. *Q.* I have at the back of my head an estimate for a railway, and I see myself adding 15 per cent. to the estimate owing to the duty.

A. After all, the whole of the railway materials are not imported.

5923. *Q.* What I really wanted to ask you was, whether your idea would be to put on a duty of this severity straightway?

A. I have not tied myself to the figures. I would prefer to leave that for more careful consideration. I am only stating principles.

5924. *Q.* Most industries, which it is the desire of India to build up, require machinery. It would add very considerably to the initial cost, as the President pointed out in the case of the cotton industry.

A. It is a matter that requires consideration; we should see what the trade will bear. The engineering trade does not want things to be made so expensive that people cannot buy them.

5925. *Q.* The other point about which I want to ask you deals with your answer to Question No. 55. I gather that your feeling is that the state of the foreign exchange at the present moment is such that the tariff position is altogether overshadowed by circumstances outside?

A. It looks like it. You cannot cope with 1,200 marks to a £.

5926 *Q. Mr. Coyajee.*—You say during the war iron and steel manufacture made considerable progress?

A. Yes.

5927. *Q.* You do not mean to suggest that our iron and steel industry has been shaken in the last few years and that it has made a great loss. Since the war ended, has it been much upset?

A. There has been hardly time to see that. For some time after the war we have had abnormal times. Now we have got to see how things will be in the future.

5928. *Q.* This is the time when the industry would be hit hardest, looking to the exchange problem. If it can bear at this particular time, then we can say that the industry is fairly set up?

A. We have got much fiercer competition to look forward to.

5929. *Q.* The exchange is very low now and scrap from the battle field is so cheap?

A. I think the competition will increase.

5930. *Q.* In your scheme of duties, would not you except structural steel?

A. Certainly not. Structural steel can be manufactured in the country quite easily. The bulk of it is so manufactured. It is the raw material that is imported.

5931. *Q.* You would not except structural steel.

A. No. There is quite sufficient internal competition to prevent high prices.

5932. *Q.* Then Mr. Burkinshaw in his recent article says that imports of heavy machinery have dropped. Is that your experience? Heavy machinery requiring no great degree of precision in manufacture is readily manufactured in India, and he says "there appears to be no reason why imports of this class should again rise to the prewar value." Has that anticipation been fulfilled?

A. We have not got back to normal times yet.

5933. *Q.* Do you include machine tools in machinery for which you would levy 15-per cent. duty?

A. Yes.

5934. *Mr. Rhodes.*—*Q.* I want to take you over the figures. You say they are very rough, but still you are the first witness who has attempted to frame a scientific tariff.

A. I think you ought to admire my temerity for doing it. I would not like to be cross-examined on figures.

5935. *Q.* So many people have told us that difficulties arise between various interests and they can be easily got over, and you have faced the question with a great deal more courage. I see you first bring in your raw material and charge 2½ per cent. then slightly manufacture it and charge 7½ per cent. and the duties go up.

A. Yes.

5936. *Q.* If you are to make all these items 10 per cent. all round for instance, you would still be protecting No. 2 against No. 1, and No. 3 against No. 2, I suppose.

A. The finished article must have higher protection.

5937. *Q.* Pig iron is not the only ingredient of iron and steel. It is only one of the ingredients. Iron and steel are not the only ingredients in machinery. You have got labour and other things?

A. These two are the principal items.

5938. *Q.* They only form a percentage, large in some cases and small in others, of the total. Therefore 10 per cent. all round would still give you Protection in a rising scale?

A. It will give a modified Protection.

5939. *Q.* It is rather unfortunate that we examine you before examining the iron and steel people, but we have had a hint from them that some of them could not live without 30 per cent. protection against your 7½. I want to know how that would affect you?

A. I don't think they require so high a duty as 20 per cent. to live.

5940. *Q.* If the Iron and Steel people tell us to put 30 per cent. on your second item, then on your third item you would want at least 30 per cent.?

A. Yes.

5941. *Q.* In the case of Railway plant it will affect the industry of the country by very largely increasing the expenses?

A. It will increase them.

5942 *Q.* Do you think that 30 per cent. would help the trade generally?

A. Certainly.

5943. *Mr. Mant.*—*Q.* You state that the finished article calls for higher protection than the raw material or the less highly finished article. Would the duties have to go up in an increasing scale?

A. If you increase the duty on the raw material the rise in the duty on the manufactured article will be on an increasing scale.

5944. *Q.* Supposing you put pig iron at 5 per cent. instead of at 2½ per cent., what would you want for steel roughly?

A Perhaps 10 per cent. These things have to be carefully studied. It depends on the cost of production and so forth.

5945. *Q.* The general question is very important from our point of view.

A. You cannot get these things unless you go to the special trade concerned and learn what the extra cost of production is.

5946. *Q.* I will conclude then that the duty on the basic industries must determine the duty on the more finished articles?

A. I think these problems could be solved by the help of the tariffs of other protective countries.

5947. *Sir Maneckjee Dadabhoy.*—*Q.* I quite understand the duties which you recommend for steel and railway plant. But I find it very difficult to understand your observations regarding the textile machinery and agricultural machinery, in view of the evidence which you gave this morning. I will first take textile machinery. You know that textile machinery up to 1921 was coming in free. Only this year a 2½ per cent. duty has been imposed. Will you please tell me if there are any works in India which are preparing the major textile machinery, such as looms, spindles and other parts connected with them?

A. No.

5948. *Q.* There have been no works up to the present for the preparation of this machinery?

A. No.

5949. *Q.* You will also admit that in India you require a larger number of mills to meet the local demand?

A. Yes.

5950. *Q.* Will not this high duty of 10 per cent. retard the progress of the textile industry?

A. I do not think so. If it is shown that it does retard progress I would reduce it.

5951. *Q.* May I understand that there are no works that would be able to compete by putting on this duty?

A. If you put a duty on it will encourage the starting of works.

5952. *Q.* It will require a number of years to make machinery in sufficient quantities to supply the demand?

A. Yes.

5953. *Q.* So the mills started will be considerably handicapped for a number of years because you cannot supply the articles?

A. That is why you put the duty low so that it may not really bear hard.

5951. *Q.* Will not this 15 per cent. duty hit the Lancashire people? Won't it benefit the German manufacturers? At present you are aware that you can get machinery from Germany for the textile industry 50 per cent. cheaper than from England.

A. You might put on a preferential duty.

5955. *Q.* As regards the duty of 15 per cent. on machinery generally, would you include in this all sorts of boilers, etc., which are not made in India largely at present?

A. Yes.

5956. *Q.* I suppose your observation to day refers only to your province and not to India generally?

A. To India generally.

5957. *Q.* Will you kindly tell me what percentage of the total machinery which is now imported India is at present manufacturing?

A. I could not give it.

5958. *Q.* Will not this 15 per cent. and 10 per cent. and 5 per cent. on agricultural implements be against he policy which you propounded this morning for protecting and encouraging Indian industries?

A. The idea is to encourage Indian industries.

5959. *Q.* Will this encourage them?

A. Certainly.

5960-61. *Cancelled.*

Witness No. 40.

The Hon'b'e LALA SUKHBIR SINHA, Muzaffarnagar.

Written statement, dated Muzaffarnagar the 8th December 1921.

5962. *Q.* 1. I favour the general policy of free trade subject to protective duties on certain articles for the purpose of developing Indian industries and the imposition of customs duties for raising revenue.

5963. *Q.* 2. A tariff seems to be a more suitable form of taxation for India than direct taxation. If fresh taxation were necessary, an increase in customs would be preferable.

5964. *Q.* 6. I do not approve of the imposition of an excise duty on articles manufactured in India as is now the case with cotton goods.

5965. *Q.* 9. Tariffs should be framed with the object of fostering Indian industries. The following are the advantages claimed:—

(1) India has to depend merely on agriculture which is a precarious industry and depends upon the amount of rainfall; it should, therefore, have subsidiary industries to support the people, specially in times of scarcity and famine.

(2) In times of war the country may be more or less self-supporting.

5966. *Q.* 10. I think India is likely to be independent of other countries in regard to her requirements of many manufactured goods. But there are certain manufactured goods for which she will, for a long time, remain dependent on other countries, such as high class machines.

5967. *Q.* 11. I would favour the imposition of protective duties on such imported manufactures.

5968. *Q.* 12. I select cotton and woollen manufactures, sugar, glasswares, cutlery, hardwares, implements and leather goods. The principles underlying the selection are:—

(1) That those industries should be protected for the growth of which there is a fair chance in India.

(2) Some prime industries, such as machine-manufacture on which depend most other industries.

(3) Those industries, the products of which are required for military purposes.

5969. *Q.* 13. Yes, I consider it desirable to establish new industries by Protection. For selecting these industries the underlying principles would be the same as given in answer to Question No. 12.

5970. *Q.* 14. Protection should be given chiefly to those industries which are likely, after a period, to be able to face foreign competition without such assistance, but I also think it desirable to establish just a few industries which might require continuous assistance.

5971. *Q.* 15. Yes, special protection should be granted against bounty-fed or subsidised foreign goods. The exact facts may be ascertained partly from Government reports of foreign countries, partly from direct inquiries and partly by deputing competent men to foreign countries to study their trade conditions. The necessary protection should be given by raising very high tariff walls.

5972. *Q.* 16. There are certain cottage industries which produce such goods as cannot be manufactured by machineries or have a local market, such industries should be maintained. The cotton handloom industry, so far as it produces coarse and ordinary fabrics, should be maintained.

5973. *Q.* 17. There is not much danger of combination in this country.

5974. *Q.* 18. Yes, they may settle here but their settlement should be stopped specially for such industries as have not sufficiently developed here.

5975. *Q.* 20. Yes.

5976. *Q.* 21. It will depend upon the prices of the imported articles.

5977. *Q.* 22. Yes, the increase in price should be regulated by subsidies for necessaries of life when it may be necessary.

5978. *Q.* 23. Yes, such as cotton and silk fabric, leather.

5979. *Q.* 24. Yes.

5980. *Q.* 25. Yes, imports and exports both will be less.

5981. *Q.* 26. No bargaining is desirable.

5982. *Q.* 27. No.

5983. *Q.* 29. Yes, it is absolutely necessary.

5984. *Q.* 30. Yes, for revenue as well as for other purposes.

5985. *Q.* 32. The effect will be good for the country. This can be done in the case of jute, cotton and hides.

5986. *Q.* 33. When the produce is not sufficient to meet the demand in the country, export duties should be levied and no export should be allowed, but in case there is a surplus, export duties should not be levied and only the surplus should be allowed to be exported. It may be said that by putting export duties on food stuffs the producers will be affected, and will not get full price for their produce, but when prices fall on account of export duties, they are bound to gain as consumers and therefore will not be losers.

5987. *Q.* 34. Yes, corresponding duties should be imposed.

5988. *Q.* 35. I am not in favour of any Imperial Preference. No preferential rates should be allowed to any country and articles required for this country should be purchased from the cheapest market.

5989. *Q.* 43. I am interested in the manufacture of blankets and have a large concern here. Some of my relatives have large sugar factories and so I have much interest in that business also.

5990. *Q.* 44. All the possible natural advantages are available in India, but organisation and co-operation are wanting.

5991. *Q.* 48. They have to compete with Japanese goods now and formerly with German goods.

5992. *Q.* 50. Yes, it needs protection.

5993. *Q.* 53. Yes it does. I think the remedy lies in the introduction of gold currency in this country also as it is in England.

5994. *President.*—*Q.* You are interested in the manufacture of blankets and have a large concern in Muzaffarnagar. Is it worked by machinery or by hand?

A. By hand and by handlooms.

5995. *Q.* Not by power?

A. No.

5996. *Q.* You say that some of your relatives have large sugar factories and that you are much interested in that business also?

A. Yes.

5997. *Q.* Have you got direct interest in the sugar trade?

A. My very close relation at Pilibi has.

5998. *Q.* Have you got anything to do with the actual management?

A. No.

5999. *Q.* In answer to Question No. 1 you say "I favour the general policy of free trade subject to protective duties on certain articles for the purpose of developing Indian industries and the imposition of customs duties for raising revenue." In your answers to Questions Nos. 9 and 11 you say you favour protective duties, and you go on in your answer to Question No. 12 to mention certain articles which you would protect. You advocate protective duties in all those cases for the development of industries in India. I would like to know what is your real view when you say that you approve the general policy of free trade.

A. My idea was that when India developed these industries the time would come when we could have free trade. It is a good thing on principle to have free trade.

6000. *Q.* At some very remote future?

A. Yes.

6001. *Q.* You say in your answer to Question No. 16 that there are certain cottage industries which produce such goods as cannot be manufactured by machinery. Will you please explain what you mean?

A. For instance, *Khaddar* cloth.

6002. *Q.* It cannot be manufactured by power?

A. It can be, but in India it is made more by hand than by machines. Machines make finer cloth, and the rough coarse cloth is manufactured by hand.

6003. *Q.* So by saying "cannot be manufactured by machinery" you mean "cannot be manufactured by machinery with equal cheapness." Can you give any particular thing which can be manufactured more cheaply by hand than by machinery?

A. For instance, Blankets and *Khaddar* cloths commonly used by the villagers are made cheaper by hand than by machinery.

6004. *Q.* Have you got any definite experience of that result?

A. We find in villages that this hand made cloth is cheaper and more easily accessible than the mill made article. The villagers prefer the hand made goods, because they think it is more strong than the mill cloth. They prefer strength to cheapness.

6005. *Q.* You think that durability is more appreciated and the people pay more value for that purpose?

A. Yes, especially the villagers. I do not mean city people, who are more fashionable.

6006. *Q.* In your answer to Question No. 33 you say "When the produce is not sufficient to meet the demand in the country, export duties should be levied and no export should be allowed, but in case there is a surplus, export duties should not be levied, and only the surplus should be allowed to be exported." Will you please tell us how to ascertain whether there is a surplus, and if so, what that surplus is, especially in the case of wheat?

A. I think it can be ascertained by enquiries by a Government agency. They always do it.

6007. *Q.* Do you think it is possible to know what is the actual surplus in a given year?

A. I think it can be ascertained; of course the exact amount you cannot know, but the approximate amount of produce can be ascertained as the Government always does. Even at present it is being done. For instance, last year the production of wheat was about 6 million tons, while the average consumption in the country was 9 million tons. So there was a shortage of 3 million tons of wheat. Such things can be found out from local enquiries.

6008. *Q.* Can reliable information on this subject be found out in sufficient time to enable measures to be taken?

A. I think it can be made.

6009. *Q.* Through Government agency?

A. Yes.

6010. *Q.* In answer to Question No. 48 you say "They have to compete with Japanese goods now and formerly with German goods." That is to say, the blankets which you make by handlooms?

A. I do not refer to the blanket industry. I mean other articles.

6011. *Q.* And therefore it needs protection?

A. Yes.

6012. *Sir Maneckjee Dadabhoy.*—*Q.* In your answer to Question No. 12 you say "implements." You do not mean agricultural implements, do you?

A. No. All sorts of implements.

6013. *Q.* Are agricultural implements included in it? Would you not allow agricultural implements to come in free?

A. Yes. I would allow them to come free, as they are now.

6014. *Q.* In answer to Question No. 30 you say "Yes, for revenue as well as for other purposes." What do you mean by "other purposes"?

A. For Protection.

6015. *Q.* Don't you think that if you put a duty on cotton it will seriously depreciate the value of cotton in the country?

A. My idea is that if more cotton remains in the country more looms will be introduced and more cloth will be manufactured here.

6016. *Q.* Do you think it will really have that effect?

A. That is my idea.

6017. *Q.* You are not quite certain?

A. No.

6018. *Q.* So unless it will have that effect you won't recommend it?

A. No.

6019. *Q.* We have also been told that the recent export duty on hides has almost ruined that industry. Have you any personal knowledge of the hide industry?

A. I have no personal knowledge. I have not heard that it has been ruined by the export duty.

6020. *Mr. Mant.*—*Q.* In answer to Question No. 14 you say that it is desirable to establish just a few industries which might require continuous assistance. What class of industries are you referring to there?

A. Cotton manufacture, leather, iron, etc.

6021. *Q.* Why do you want to give continuous assistance to cotton manufacture?

A. I say "for a period."

6022. *Q.* No. You say "continuous." It means for ever.

A. I say some industries which are likely to be able to face foreign competition.

6023. *Q.* Then you don't want protection for ever?

A. No. Not for ever. We require Protection until our manufacture will be as much developed as those in other countries have developed their manufacture.

6024. *Mr. Seshagiri Ayyer.*—*Q.* In your answer to Question No. 33 you say that when there is a surplus export duties can be imposed. I understand that what you mean is that you would modify it by taking the average of a number of years and that if there is an excess you would suggest to Government that they should impose an export duty.

A. There should be no export duty when there is a surplus. But if there is no surplus then there should be a high export duty so that nothing may go out of the country.

6025. *Sir Montagu Webb.*—*Q.* In answer to Question No. 56 you say you consider that your industry needs Protection. Can you tell us how much protection will be necessary?

A. It will depend upon calculation. It should be such as to prevent import, so that we may have our local industry developed.

6026. *Q.* To prevent all importation of blankets?

A. These answers refer not only to blankets. This is a general reply.

As I am a Zemindar and representative of the Board of Agriculture, United Provinces, I want to impress upon this Commission the necessity of putting an export duty on foodstuffs. So far as my experience goes, the foodstuffs produced in this country are not sufficient and there are certain reasons for that, which, if you would like, I may mention. But the produce at present is not sufficient even for our maintenance, and much depends. . . . . .

6027. *President.*—*Q.* Have you any statistics to show that? You talked of surpluses, now you say you do not produce enough.

A. I say if there is a surplus.

6028. *Q.* You thought there is no surplus?

A. Much depends upon rainfall. If the rainfall is not sufficient we are very short of produce. If the rainfall is good we may produce enough.

6029. *Q.* Only enough?

A. Only enough. Not much to be exported. If we get more produce, then, of course, we shall be able to export our surplus. But at present there is no surplus at all.

6030. *Q.* Even in normal years?

A. I should say so. But the figures show there is a little surplus. So far as my calculations go, the present production of food grains in this country is 75 million tons, while we require about 70 million tons for our own consumption. There is a very small margin of 5 million tons. That depends much upon the rainfall.

6031. *Q.* Do you refer to wheat or to all food grains?

A. I refer to all food grains. The prices of foodstuffs here are very high and the people are feeling the pinch. I would suggest that no foodstuffs should be allowed to be exported at all, until we have a surplus.

6032. *Q.* So your measures are total prohibition or a very high prohibitive duty?

A. Yes, so long as we have no surplus.

6033. *Q.* And you are certain that in normal years you would not have a surplus?

A. It is not certain.

6034. *Q.* When we have abnormal crops there would be a surplus?

A. Then it should be exported.

6035. *Q.* Even then you would impose all kinds of restrictions regarding the export of the surplus?

A. Not in the case of surplus which should be exported.

Witness No. 41.

GOVERNMENT OF THE UNITED PROVINCES.

Written statement, dated the 10th December 1921.

6036. *Q.* 1. The United Provinces Government are generally in favour of a policy of free trade, but consider that in special cases Protection may be advisable or even necessary and that it is impossible to lay down an absolute rule or principle without regard to the special circumstances of each industry. The industries of India notoriously need development and it is doubtful whether this development will be achieved within a reasonable space of time, if we do not protect such industries as there is good hope of establishing permanently and successfully with the aid of temporary Protection. The figures of import and export of raw materials and manufactured articles conclusively show that the material prosperity of India demands a curtailment of the export of raw materials and of the import of manufactured articles. Broadly stated, the view of this Government is that India should now employ Protection to the extent that may be necessary to assist struggling and nascent Indian industries until such time as they have established themselves and can stand without artificial support. Where there is not a fair chance of establishing by Protection an indigenous industry which will within reasonable time be able to maintain itself without such artificial support, this Government would unhesitatingly recommend a policy of free-trade. The only exception that should be admitted to this rule would be key industries which are vital to the security, political and commercial, of the country.

With regard to the latter part of the question this Government have not only no objection to the imposition of customs duties for the purpose of obtaining revenue, but would advocate the imposition of such duties.

6037. *Q.* 2. Much could be written on the advantages and drawbacks of direct and indirect taxation. Direct taxation has the educative advantage that the poorest tax-payer knows that he is being taxed; but generally in India both the educated and the uneducated classes prefer indirect taxation. In this province, for instance, the Government had to face the strongest opposition from all classes against the proposal to substitute direct municipal taxes (such as a tax on circumstances and property) in place of octroi. The direct taxes which are levied in India are few in number. The land revenue and income tax are the principal ones. The former cannot be expanded rapidly to any serious extent, and the latter will never give a yield comparable with that of European countries as the vast mass of India's population, in view of their poverty, will benefit by the clause which exempts all persons below a certain income from payment of the tax. If therefore fresh revenue has to be raised this Government would favour an increase of the tariff; at the same time they are not prepared to say that all fresh taxation should be raised by an increase in the customs.

6038. *Q.* 3. This Government consider that the present rates charged in the tariff list are reasonable, but may be moderately increased if financial considerations suggest such a course. Individual interest will no doubt influence individual opinions. The question only becomes important when the motive of Protection is introduced.

6039. *Q.* 4. The answer to the question whether the tariff should continue to be based on existing principles depends on the general view taken with regard to the rival merits of free trade and Protection. If free trade is considered to be the better policy this Government have no criticism to make on the principles on which the tariff is at present based, but as stated in the answer to Question No. 1, this Government holds that the tariff should in special cases be revised so as to protect certain infant industries. Where such industries are not in question, the existing tariff may stand as it is, unless the circumstances of the country urgently demand more revenue, in which case the tariff should be enhanced.

6040. *Q.* 5. There is little doubt that the existing tariff policy has not had a stimulating effect on Indian industries in the past. This policy has undoubtedly secured cheaper supplies for the consumer, a result of great value, but if without unduly sacrificing the general consumer it is possible to establish a valuable indigenous industry the country should not shrink from the sacrifice. The history of Protection in Germany and in America would indicate that the rapid rise of industries in those countries was in the beginning largely due to a policy of Protection, though it is of course arguable that they would have obtained the same or better results without Protection. The distinction between these two countries and India appears to be that the genius of the two former nations is more adapted to the mechanical side of industry than is the Indian mind. The Director of Industries quotes from the writer, Professor Brentano, "Germany changed free trade for a system of protectionist solidarity in 1879 and if German economy has nevertheless advanced it is thanks to science, to the chemical laboratories of our Universities and the technical instruction of our polytechnics."

It appears to this Government that this quotation brings out a very important truth. It is useless for India to establish Protection of an industry when it lacks the skilled superintendence and skilled labour to carry it on. It is probably due more to this lack of technical skill than to the policy of free trade that the slowness of industrial expansion in India has been due. The policy of Protection suggested by this Government, if it is to be successful in establishing new industries, must be accompanied by a rapid and thorough extension of technical and scientific education.

6041. *Q.* 6 & 7. Theoretical approval may be given to the practice of countervailing an import duty by an equivalent excise duty on home manufactures, assuming that free-trade is the soundest policy to adopt. But in practice such an expedient should be deprecated by those who, like the United Provinces Government, do not regard free-trade as sacrosanct, unless either the revenue requirements of

Government make a countervailing duty a necessity or the article concerned is one of luxury and its use is intended to be discouraged. The United Provinces Government are not of opinion that "no protection of any kind should be afforded to the home manufacturer, as against the foreign manufacturer."

6042. *Q.* 8. If foreign imports are large enough to control the price, the imposition of an excise duty upon any special article will not raise the price to consumers; but if it is the indigenous article which by virtue of its abundant supply controls the price then the price will rise or fall according as an excise duty is imposed or not.

6043. *Q.* 9. As has been already stated, this Government generally favours a policy of free-trade but would agree to a protective tariff in favour of

(*a*) infant industries which, with the encouragement of Protection, are likely to be able after a few years to flourish unassisted, or

(*b*) key industries which are vital to the security of the country.

6044. *Q.* 10. This Government does not anticipate that India at any rate within any reasonable distance of time, will become independent of other countries in regard to all her requirements of manufactured goods. Each country owing to its physical and other peculiarities will always have certain advantages or disadvantages compared with other countries for the production of certain manufactures. The primary object of international trade is the exchange between two countries of the goods which one or other country can produce better and more cheaply than the other. In primitive society each family used to live independent and self-sufficient; as civilization advanced the men gathered first in villages and then in towns and bartered their goods. Eventually countries began to trade with each other and the cost of goods was lowered to the general public in all countries by the fact that each country exported the goods which it was best adapted to produce. It would appear a backward step to aim at making India so independent and self-sufficient that it would require no manufactured exports from abroad. What we should aim at is to make India capable of working up into manufactured articles, those raw materials with which she is best supplied. In any case it is probable that India will be dependent, for many years to come, on other countries for various forms of machinery, electric apparatus and manufactures conducted by secret processes. But it is of paramount importance that the country should not be dependent upon imports for necessaries as well as luxuries to such a hopeless extent as at present.

6045. *Q.* 11. As already stated this Government would advocate the imposition of protective duties on imported manufactures only in cases where a young and promising industry or a possible and promising industry depends on Protection, to enable it to obtain a firm footing in India and become independent of support. To illustrate by a simple comparison, there are valuable trees in this country which will not grow unless carefully irrigated and protected from cattle during their early years. Once they have struck root and grown to a certain height, they can be left to look after themselves and eventually repay a hundredfold the initial care and expenditure. But a tree, which is unsuited to the climate and despite the care of the forester grows up weak and stunted, is economically a bad investment, however valuable it may be when grown in its own climate. The failure or success of a protectionist policy in India will depend on a wise and unprejudiced selection of the industries to be protected. If a young and apparently promising industry fails to strike root and will eventually need permanently the fostering care of Protection, the only justification for continuing such protection would be that it is a key industry, such as the manufacture of munitions of war or of dyes needed for the textile industry.

6046. *Q.* 12. It is difficult for any one province to say which particular industries should be protected. Instances which suggest themselves are cutlery, matches, glass bangles, plate glass and possibly rubber.

6047. *Q.* 13. This question has already been answered.

6048. *Q.* 14. As already stated, this Government would confine Protection, except in the case of key industries, to those industries which are likely after a reasonable period to be able to face foreign competition.

6049. *Q.* 15. Special protection should most certainly be given to Indian industries against foreign goods favoured by such methods as dumping, bounties and transport concessions. Presumably the Indian Trade Commissioner could keep the Government of India informed of all such measures adopted by foreign countries to undermine Indian industries. It should not be difficult to neutralise the unfair advantage of the foreign competitor by an equivalent protective tariff, or by methods more or less similar to those employed in the countries concerned, as circumstances may suggest.

6050. *Q.* 16. In India the circumstances are peculiarly favourable to the continuance of cottage industries, and this Government would be very sorry to see them die out. Any home industry that will supplement the earnings of the agriculturist during the slack season or, in general terms, that is likely to meet a demand and is capable of being carried on in a remunerative way, deserves every encouragement. Such industries may be reformed to improve their efficiency, but it is to be feared that in course of time only those that need artistic and manual skill and which cannot be imitated by machinery will escape from being destroyed by power-worked machinery.

6051. *Q.* 17. There is a danger that Protection in India may lead to combination among the protected manufacturers, in order to maintain a quasi-monopoly price. But at the present stage the danger may be considered to be remote. When it becomes a fact, it can be counteracted by reducing the degree of Protection afforded and so throwing the market open to the foreigner. This should be done without hesitation once an industry has been fairly established, especially if the Indian manufacturers, by an objectionable combination, use Protection to keep prices at a monopoly level.

6052. *Q.* 18. If a protective policy is adopted, British and foreign firms will very likely establish branches in India, so as to get the benefit of the protective tariff. There is no reason to deprecate such a movement. Nobody, for instance, would maintain that the numerous mills in Cawnpore established with British capital and run under British supervision are economically undesirable from the Indian point of view. As in the historic case of the Huguenots who emigrated to England, such pioneers of industry should be welcomed in India. They will train Indians and add to the wealth of the country. If however foreign firms established in India should prove to be a menace to indigenous industries, restrictive measures may then be thought of.

6053. *Q.* 19. While conflicts of interest are by no means unlikely they can certainly be dealt with by Government, the method depending upon the circumstances of each case.

6054. *Q.* 20. It is impossible to lay down a universal rule, but generally it will be found that, where an import duty is imposed, the duty is passed on to the consumer in the shape of a rise in price of the imported article. The price of the similarly protected article of indigenous manufacture will rise in sympathy, but possibly not to the full extent of the duty since the home manufacturer will wish to keep the trade in his own hands by offering his articles at a slightly lower price than the imported articles.

6055. *Q.* 21. If no other economic influences are at work the rise in price caused by the imposition of a protective duty should fall as soon as that duty has been taken off. If there is a permanent rise in the price of the protected article the justification for imposing that duty ceases to exist, at any rate on the view taken by this Government that the justification for Protection is to give purely temporary assistance to a young industry to enable it to grow to mature strength. As soon as the industry has reached this latter stage, the duty should be abolished and prices will then sink to the international level.

6056. *Q.* 22. As already stated this Government would be willing to accept an increase in price to the Indian consumer for the sake of developing those industries in which there is a good prospect that, if the consumer makes this temporary sacrifice, flourishing and independent Indian manufactures will be established. As already stated, this increase of price should be temporary only and should cease as soon as the Indian industry can face open competition. In the case of key industries, however, even a permanent increase in price to the consumer would be justifiable.

6057. *Q.* 23. The question of protecting all articles which are a necessary of life does not arise in this country as India has raw materials in abundance and can grow her own food grains. If we except sugar, the value of the imports of which in 1918-19 amounted to nearly 10½ million pounds sterling, and articles mainly luxuries intended chiefly for European consumption, the imports of articles of food in that year were almost negligible. The import trade in food other than sugar is so small that any declaration that articles of food will not be taxed will have little practical effect. As regards a definition of "necessaries of life", articles of common apparel might be added to articles of food. This expression would cover the garments of the poor. This Government see no reason why cheap cloth should not be exempted from Protection, seeing that the Indian textile industry is already flourishing. This Government therefore would exempt from Protection foodstuffs and clothes, except those of a luxury nature, as necessaries of life. There may be a few other articles which may be

classed as necessaries. The most important only have been mentioned.

6058. *Q.* 24. An increase in the tariff rates would undoubtedly tend to increase the cost of living in India. The industrial wage-earner will doubtless gain a rise in wages to compensate him for any increase in the price of commodities caused by the protection of Indian manufactures. Industrial labour in India is beginning to organize itself into trade unions, which will see to it that wages rise in accordance with the cost of living. The agricultural wage-earner will be slower in making demands for an increased wage to compensate for the increased cost of living, but the increase will undoubtedly come when the growth of the town population stimulates the demand for agricultural produce. The classes whose incomes are fixed and limited, such as pensioners among others, will naturally be affected adversely.

6059. *Q.* 25. The moderate amount of Protection which this Government has suggested would presumably affect India's foreign trade position only in respect of the industries protected and to the extent that Protection is introduced. Since it would be introduced only in cases where there is a prospect of establishing Indian industries within a reasonable time, the internal wealth of the country would presumably be increased, although some slight contraction of foreign trade might be caused. This Government have not got the information to work out the probable results in concrete cases but consider that if Protection were wisely applied to special industries the general commercial position and prospects of the country would undoubtedly improve as soon as these protected industries had gained a firm footing and become independent of artificial help.

6060. *Q.* 26. This Government considers that the existence of a tariff which could be used as an instrument for bargaining with other countries would undoubtedly be advantageous to India. There seems to be no reason why import duties should not be varied in order to secure fair treatment from any country which may refuse fair treatment to Indian goods. An export tariff could presumably be used as a weapon for bargaining only in the case of goods of which India possesses a practical monopoly, such as jute, teak, opium and indigo.

6061. *Q.* 27. This Government would recommend the adoption of a general tariff and a special punitive tariff for those countries which endeavour to shut out our imports by heavy import duties. They would not lower the duties prescribed in the general tariff in favour of countries which give specially favourable treatment to India, in cases where such a concession would expose young Indian industries, which we specially wish to protect, to the full blast of foreign competition.

6062. *Q.* 28. If the tariff is used in this way, it will probably be necessary to make it more detailed than it is at present, but this Government would deprecate any elaboration of the tariff that would necessitate the employment of an army of valuers at each Customs House.

6063. *Q.* 29. This question asks whether any kind of permanent organization for investigating the claims of various industries to Protection and for the periodical readjustment of tariff rates should be appointed. If the policy of protecting specially selected infant or key industries is accepted, the success or failure of this policy will depend on the wisdom and impartiality shown in selecting the industries to be favoured. Obviously the greatest care will be needed to guard against the play of underhand influences and political pressure. A possible suggestion is that the two houses of the Indian Legislature should elect a Joint Standing Committee of both houses to advise the Government of India with regard to the industries which need Protection. It might be possible to add to this Committee as ex-officio members the Ministers in charge of industries in Provincial Governments. The Committee could summon Provincial Directors of Industries to advise when necessary. This Government admits that this proposal is open to the grave objection that the task of advising in this vital matter of Protection will be left to a purely political body which will change at each general election; but it is difficult to suggest any other body which would command greater confidence among the majority of the people of India. It might be possible to mingle with the political element on the Standing Committee a few economists, such as University Professors of Economics and representatives of the leading Chambers of Commerce. This Government recognise that the above proposal is open to many criticisms, but consider that some organization may probably be necessary at any rate for the first year or two of the new policy if at first it provokes numerous applications for Protection. If such applications are few, it should be possible for the Government of India to appoint a special committee *ad hoc* to deal with the merits of each particular application which can show, in the opinion of Government, a *primâ facie* case. The United Provinces Chamber of Commerce recommend a standing committee composed mainly of non-officials who should preferably have no connection with any industry.

6064. *Q.* 30. As regards the proper function of export duties this Government sees no reason why export duties should not be used for purposes of controlling export and conserving home stocks, and it may be for stimulating the manipulation of the raw material in the country itself, as well as for purposes of raising revenue.

6065. *Q.* 31. The general effect of export duties is to act as a check upon export because the prices of exported goods are regulated by the world prices. In the case of goods of which the exporting country has a complete or nearly complete monopoly the check upon export caused by an export duty will vary in degree according to the severity of the duty and the need which other countries have for this particular export. If the duty is light the effect may be *nil*; if the duty is heavy it may entirely stop the demand from foreign countries. This Government is not prepared to say in the case of what trades in India an export duty could be imposed without injury to the trade and to what extent. The export duty already levied on jute, rice, tea and hides has caused no apparent injury to these trades. Cotton and oil-seeds might be suitable objects for a similar duty.

6066. *Q.* 32. This Government accepts the view that, if an export duty is to be imposed, raw materials should be selected for that purpose in order to encourage their retention in India for purposes of manufacture. Instances which suggest themselves are cotton, raw wools, silk, rubber, hide, skins and oil seeds. The effect at first of such an export duty would be to cause a fall in the Indian prices of the articles affected, provided that the export duty be heavy enough to check the foreign demand. The result in this case would be to curtail temporarily the production of raw material; but if the cheapening of the raw material enables the Indian manufacturer to establish a permanent industry which uses this raw material (and it is this event only that would justify the artificial cheapening of the raw material for the benefit of the Indian manufacturer) the Indian factories will soon absorb all the raw material available, and then competition will once more raise the price and encourage production of that raw material.

6067. *Q.* 33. This question asks whether it would be of advantage to India to impose an export duty on foodstuffs with a view to control their export and thereby lower the cost of living in India. This Government has not yet received the opinions of the three agricultural Associations in this province, and it is possible that their opinions might lead the Government to modify the opinion which is now given. There is no question that for political and ecomomic reasons it is most desirable to check the export of food grains in years of famine when the Indian supply is insufficient for the needs of India and the consequent rise of prices causes the greatest hardship to the poor and considerable hardship to the middle classes. But in considering this important question it is necessary to remember that agriculture is the most important trade in India. This Government can see no justification in normal years for the artificial restriction of the export of food grains, in order that the city population may feed itself more cheaply at the cost of the agriculturist. In our desire to promote Indian industries, it would be folly to impose a permanent drag on our most important industry. At present owing to the antiquated methods of agriculture and lack of irrigation, the fertility of the Indian soil is not being properly exploited. One of the most important duties of the Indian Government at the present day is to give to India the full advantage of modern agricultural science, so as to increase greatly the present yield of food grains and other crops. This increased yield should be available for export so as to increase the wealth of India, and it is only fair that this increment should go to the agriculturist and not to the urban industrialist whom we are proposing to assist by Protection at the expense of the agriculturist and of the professional classes. This Government are fully aware that any proposals for the cheapening of food grains will appeal strongly to the urban classes of the community, but they feel it their duty to recognise and put forward the claims of the large and silent masses that live in the villages of India. It has been suggested that if an export duty is to be placed on food grains, it should also be placed upon *all* raw products, so that cultivators may not be induced to grow non-food crops in preference to food crops, The duty should be imposed primarily for revenue purposes, but might be based on a sliding scale, lowest when prices are lowest and rising as prices rise, so as to prevent

the country from being drained dry of raw materials in famine years.

6068. *Q.* 34. The Government would favour the policy of imposing an export duty on raw material in retaliation for an import duty imposed by a foreign country on the manufactured articles.

6069. *Q.* 35. The local Government prefer not to say anything on the general and political issues involved in the policy of Imperial Preference. They will content themselves with the remark that they do not think that India would be justified in risking appreciable economic loss. Indian commercial sentiment, as expressed by the United Provinces Chamber of Commerce, is that any scheme of Imperial Preference which involves a sacrifice of Indian interests would be "quite unacceptable" and this Government have little doubt that this is the general view among Indians.

6070. *Q.* 36. This Government sees no reason for differentiating between the policy to be adopted towards the United Kingdom and towards other parts of the Empire, except those which decline to give to Indians the same rights and privileges as they give to other citizens of the British Empire.

6071. *Q.* 37. This Government is not prepared to prophesy whether the system of Imperial Preference would bring any material loss or gain to India. Judging however from the Government of India's despatch of 1903 and subsequent discussions of the subject, it would appear that in the present backward industrial state of India the policy would not profit India. The question is one which would require the most careful investigation, and the time allowed to this Government for replying to these questions has been insufficient to allow of such investigation. It is certainly likely that foreign countries would retaliate against India. In this connection it should be remembered that India is a debtor country and has to make heavy payments in England. It is therefore to her interest to get the best prices for her exports and it will not be to her interest to favour some countries and not others.

6072. *Q.* 38. This Government is not prepared to give a list of articles imported and exported to which the policy of preference might be applied. If the policy of Imperial Preference be accepted, the rates of preference would presumably be assimilated to the rates of preference given by other members of the British Empire to India.

6073. *Q.* 39. In selecting articles to which preference might be given on import to India those articles should be selected for which India is likely always to depend on other countries. Preference should not be extended to manufactures which there is a reasonable hope of establishing within India if preference is withheld and Protection substituted.

6074. *Q.* 40. The reply is the same as the reply to Question 20. If the goods in question are in the main foreign and an extra duty is imposed upon them in pursuance of a policy of preference, the price to the consumer will undoubtedly be raised, because the foreign goods being in the majority will determine the price. If however the goods coming from the British Empire preponderate over the extra-taxed foreign goods, the foreign manufacturer will have to make his price conform to the price of the British goods or quit competition.

6075. *Q.* 41. This Government are not prepared to say without further consideration whether a system of Imperial Preference is likely to increase or diminish the total volume of Indian imports or exports or to affect the balance of trade. It is certainly probable that the balance of trade would be affected.

6076. *Q.* 42. It is possible that the partial diversion of trade from foreign countries which might result from Imperial Preference would affect India's general trade position. This Government would certainly not be prepared to support a policy of Imperial Preference which completely diverted Indian trade from foreign countries. The figures of import and export show that such a result would be a catastrophe. The latest figures available to this Government are those for 1918-19 which show that the percentages of India's foreign trade in that year were imports 46 from the United Kingdom, 12 from other parts of the Empire and 42 from foreign countries, while her exports were 28 to the United Kingdom, 24 to other parts of the Empire, and 48 to foreign countries. It is obviously impossible to contemplate a scheme of Imperial Preference which would compel India, either to force nearly 50 per cent. of her imports and exports on the rest of the British Empire, in addition to the 50 per cent. already taken, or in the alternative to abandon half her import and export trade. There is no doubt that with a system of Imperial Preference the percentage of India's import and export trade with the rest of the British Empire would considerably increase, but this Government see no likelihood that the rest of the British Empire could absorb the whole of the balance nor do they consider that this result would be beneficial to anybody.

Oral evidence of Mr. CROSTHWAITE, Secretary to the Government of the United Provinces, Department of Industries, Cawnpore, the 17th December 1921.

6077. *President.*—*Q.* Mr. Crosthwaite, you are Secretary to the Government of the United Provinces?

A. I am the Industries Secretary.

6078. *Q.* And you appear here on behalf of the Government of the United Provinces?

A. Yes, Sir.

6079. *Q.* The general view of your Government appears to be that reasonable Protection should be given for a time to such industries as have a reasonable prospect of standing on their own legs?

A. Yes.

6080. *Q.* The Government say "The figures of import and export of raw materials and manufactured articles conclusively show that the material prosperity of India demands a curtailment of the export of raw materials and of the import of manufactured articles." That is to say, your Government thinks that it would conduce to the material prosperity of India if the exports of raw materials are curtailed and the quantity so curtailed is manufactured in India, and there is a corresponding diminution in the import of manufactured goods?

A. Exactly.

6081. *Q.* Then your Government is further of opinion that in regard to key industries which are vital to the security, political and commercial, of the country, we should give more permanent Protection?

A. Yes, we should protect them although they may never be able to stand on their own legs.

6082. *Q.* You mean more prolonged Protection?

A. I mean permanent Protection.

6083. *Q.* In answer to Question No. 5, your Government says "The history of protection in Germany and in America would indicate that the rapid rise of industries in those countries was in the beginning largely due to a policy of Protection, though it is of course arguable that they would have obtained the same or better results without Protection." You put forward the latter part as only an argument, but there is nothing to substantiate it?

A. It is a matter of argument. You cannot prove it, but there are doubtless people who would argue to that effect.

6084. *Q.* In the same answer your Government say "It is useless for India to establish protection of an industry when it lacks the skilled superintendence and skilled labour to carry it on." Then, your Government would advocate simultaneously with Protection measures for securing skilled superintendence and skilled labour in order that efforts to establish industries under Protection may be more successful?

A. The idea of the United Provinces Government is that unless we train the skilled workmen, it is no good protecting industries which cannot be carried on without that skilled labour.

6085. *Q.* Then your Government's idea is that skilled labour should be imported in the first instance and that efforts should be made to prepare them in India?

A. Skilled labour should be imported so far as necessary in order that their craft may be taught in our technical schools in India.

6086. *Q.* Would you wait for the development of industries till this skilled labour is ready?

A. In our province we are trying to increase the number of trained men of the engineer and the foreman type.

6087. *Q.* Would it not be better to start industries and provide means of employment while you are training these people?

A. I do not know what my Government's views are.

6088. *Q.* Would it not be more advantageous?

A. Yes, so long as we depend on imported skilled labour, no large growth of industries is to be expected.

6089. *Q.* The United Provinces Government's answer to Question No. 12 has reference to industries in the United Provinces ?

A. Rubber would not concern us.

6090. *Q.* Then this is a general suggestion in regard to the whole of India ?

A. Yes.

6091. *Q.* Then as regards the last sentence of your Government's reply to Question No. 18, would you provide restrictive measures ?

A. We think it very improbable, but if the need actually occurs then we will begin to think about the remedy.

6092. *Q.* Then you would accept the principle of providing restrictive measures, and the actual measures would be thought of afterwards ?

A. Yes, if necessary.

6093. *Q.* In answer to Questions Nos. 30, 31 and 32, which deal with export duties, your Government say " As regards the proper function of export duties this Government see no reason why export duties should not be used for purposes of controlling export and conserving home stocks " and then they go on dealing with rice, jute, tea and hides, and also cotton and oilseeds. Let us leave out hides and skins. If export duties are levied on the other articles and that reduces the price, how will it affect the producer ?

A. The answer is given in reply to Question No. 32 that at first it would check production.

6094. *Q.* Would that be advantageous to the interests of the country ?

A. We consider that after a short time, the local manufacturers will, thanks to the encouragement given by this cheap raw material, greatly increase their production and quickly make up the lost demand again.

6095. *Q.* That is in regard to the manufactured articles. Dealing with the question from the point of view of the agriculturists, what effect will it have upon them ?

A. It will have a discouraging effect.

6096. *Q.* Do you think that that is desirable ?

A. We say that we do not think it desirable in the interests of agriculture, which forms the chief industry of India.

6097. *Q.* Then as regards hides, do you know what effect has been produced upon the export trade in hides by the duty recently imposed by the Government of India ?

A. I have heard recently that the effect was bad, but I do not know anything definite.

6098. *Q.* Your Government says in reply to Question No. 33 " This Government are fully aware that any proposals for the cheapening of food grains will appeal strongly to the urban classes of the community, but they feel it their duty to recognise and put forward the claims of the large and silent masses that live in the villages of India." Don't you think that the cheapening of food grains would be equally advantageous to all classes, to the classes that produce and to the classes that consume ? The producers of the food grains are also consumers. Do you not think that the cost of living will go down ?

A. It would go down generally, no doubt, but mainly at the cost of the man who produces the food grains.

6099. *Q.* Would it not be equally advantageous to him ?

A. Personally I should like it but I do not think it would be fair on the producer, the agriculturist. We would all like to be able to pay our servants less, and live more cheaply.

6100. *Q.* Your opinion in this respect is that there is a distinct conflict of interests between the urban and the rural populations ?

A. I think there is that conflict.

6101. *Q.* Do you think that sufficient benefit will not result to the agricultural class by the reduction in the cost of living corresponding to the loss that would be brought about by the imposition of export duties ?

A. No. I certainly think that it would not be equivalent.

6102. *Sir Edgar Holberton.*—This is the written statement of the Government of the United Provinces ?

A. Yes.

6103. *Q.* It does not come from any one department ;

A. Well, it originated from my department.

6104. *Q.* But it places together the considered opinion of the Members and Ministers ?

A. It is the opinion of the Government as a whole.

6105. *Q.* During the last five or six years has your Government had any acquaintance with the food control ?

A. Yes. For two or three years towards the end of the war, we had a special officer dealing with the movement of and distribution of food supplies.

6106. *Q.* I suppose your Government is in favour of a certain amount of control on exports to conserve home stocks. In answer to Question No. 30, they say " As regards the proper function of export duties this Government see no reason why export duties should not be used for purposes of controlling export and conserving home stocks." I want to know if your Government has had any experience whatever of controlling exports of wheat, and if so, whether they are of opinion that it really has been of any practical advantage to anybody ?

A. I cannot state their views.

6107. *Q.* It has not come within your knowledge ?

A. No.

6108. *Q.* Your Government, I suppose, recognise that if Protection is given for any industry, that protection should be taken off eventually ?

A. Yes.

6109. *Q.* I do not suppose that in your particular province there has been any instance of duties once put on being taken away ?

A. No.

6110. *Q.* Do you mean by Protection protective duties or scientific assistance ?

A. The Government mean duties.

6111. *Q.* A good many people suppose that excellent as that theory is the difficulty is to take away the duty once it is imposed. You have not had any practical experience of that ?

A. No.

6112. *Mr. Coyajee.*—Please refer to the last three sentences of the answer to Question No. 5. You mean to say that Protection should be part of a larger programme of which the educational programme should also form a part.

A. Yes.

6113. *Q.* Coming to your answers to Questions Nos. 26 and 27, you say " There seems to be no reason why import duties should not be varied in order to secure fair treatment from any country which may refuse fair treatment to Indian goods," and again you say " This Government would recommend the adoption of a general tariff and a special punitive tariff for those countries which endeavour to shut out our imports by heavy import duties." That is to say, in paragraph 26 you talk of a single tariff, and in paragraph 27 you talk of two tariffs, one general and the other a special punitive tariff. There seems to be a little inconsistency. Which is the more correct view ?

A. We would have one tariff and we would vary it in special circumstances.

6114. *Q.* You talk of two tariffs, one general and the other a special punitive. It is not your intention to have two kinds of tariff ?

A. It is not our intention.

6115. *Q.* Then we come to your answer to Question No. 32—the last sentence. "The Indian factories will soon absorb all the raw material available." Might I suggest that it is rather too much to expect that the Indian factories will " soon " absorb all the raw material ? It will take a considerable time for all the oilseeds and other things to be used up by our factories ?

A. It is very hard to qualify general statements in the space of a short answer.

6116. *Q.* The word " soon " might mislead.

A. I quite agree there.

6117. *Q.* In your answer to Question No. 33, you say " In our desire to promote Indian industries, it would be folly to impose a permanent drag on our most important industry. " Here we are talking of export duties. Of course you know that a rise of prices of agricultural produce is required in order to extend cultivation. If a fall in prices came along the extent of cultivation might be reduced. What India requires side by side with Protection is, therefore, a programme of intensive agriculture ?

A. Yes.

6118. *Q.* If prices fell by the action of export duties there would be discouragement instead of encouragement of cultivation ?

A. Exactly.

6119. *Q.* Then in answer to Question No. 36 you say " This Government sees no reason for differentiating between the policy to be adopted towards the United Kingdom and towards other parts of the Empire." But might I suggest that if reciprocity is the principle employed, then whichever colony gives us equivalent concessions should be favoured by us, and that we should not place all parts of the Empire on the same footing. One offers us better terms : then we should offer it equivalent terms. Whereas from another we might not get equal advantages, and in that case we should not give the same treatment to it. I venture to suggest that differentiation is the better policy in the case ?

A. The only thing we were afraid of was that we might differentiate in favour of some colonies and thereby kill our own industries in consequence of the preference we gave to them.

6120. *Q.* But would you not agree that we should give special favours only to those who give us equivalent favours and to those who show us smaller favours we should give only smaller favours ?

A. Yes.

6121. *Mr. Seshagiri Ayyer.*—*Q.* Only one question and that relates to your answer to Question No. 16 about cottage industries. You say "Such industries may be reformed to improve their efficiency." Can you explain what you mean by "reformed" ?

A. Well, so many of our cottage industries are at present carried on with the very minimum of efficiency, and it is possible that we can introduce more efficient methods, *e.g.*, at our weaving schools. We can teach them the use of better shuttles, etc. Thus we might enable them to survive the competition of factories.

6122. *Q.* Would you like to give special Protection for cottage industries as against power industries ?

A. I cannot say what view my Government would take: all I can say is that the United Provinces Government is particularly anxious that these cottage industries should not be killed.

6123. *Q.* And they should be helped ?

A. Yes, but I could not say in what particular forms.

6124. *Mr. Rhodes.*—*Q.* As regards the last sentence of the answer to Question No. 2, I do not know if you would care to tell us what idea your Government has in regard to fresh taxation. Have you in mind any other sources of raising money, and, if so, would it be direct or indirect ?

A. It is rather a big question to answer. I do not know what new taxes the Government had in its mind.

6125. *Q.* In answer to Question No. 23, your Government say that they do not desire Protection for clothes at present. You know that there is a $7\frac{1}{2}$ per cent. protection for clothes, *i. e.*, the difference between the import duty of 11 per cent., and the $3\frac{1}{2}$ per cent. excise. Is it your idea that you want cheap clothing for the people, and would you abolish the excise and reduce the import duty, or would you prevent Protection by raising the excise duty ?

A. I think my Government want to abolish all duties on cheap clothing and would abolish both the excise and the import.

6126. *Q.* Well, in that case your provincial revenues would not suffer, but the revenues of the Government of India would. If they do not get it that way, they should get it from the people of your province ?

A. I do not think that the question exactly arises in that form. It is not a question of raising money: it is a question of protecting or not protecting articles which are necessaries of life.

6127. *Q.* What I want to know is the attitude of your Government towards the question of cheap clothing to the poor, whether your Government thinks that it is a legitimate source of taxation or not ? Would you tax it if it is necessary to raise revenue ?

A. They would not protect the Indian manufacturer in the production of this necessary of life: let him compete on equal terms with the foreigner.

6128. *Q.* If you put an import duty would you put an excise duty to the same amount ?

A. I do not know the views of my Government.

6129. *Q.* Your answer to Question No. 24: "The agricultural wage earner will be slower in making demands for an increased wage to compensate for the increased cost of living." Do you think that that would cause trouble in your province, or serious hardship ?

A. You mean the delay in his getting the extra amount ? I think it would not.

6130. *Q.* You think he could afford to wait ? This is a general rise in the cost of living due to the tariff that is contemplated.

A. I do not think it will cause any important trouble, at least not more than what we have got already.

6131. *Q.* In your answer to Question No. 26, you mention indigo at the end. I do not know if your province has got much to do with indigo. Is that a practical case ?

A. We used to grow indigo, but we grow little now. All the factories have been ruined.

6132. *Q.* That is due to the synthetic indigo ?

A. Yes, it has ruined the industry.

6133. *Q.* In your reply to Question No. 31, you say "The export duty already levied on jute, rice, tea and hides has caused no apparent injury to these trades." Have you any information at all which justifies that statement ? The tea trade is in a very bad way. There were in certain parts of the world a bulk handling of grain owing to the high prices of bags.

A. I do not understand that the fact that tea is depressed is due to the export duty: I understand it is due to other causes.

6134. *Q.* Would it not be aggravated by an export duty as compared say with Ceylon or Java ?

A. I suppose it all tells like the last straw. I do not know if this duty has proved the last straw.

6135. *Mr. Mant.*—*Q.* Please refer to your answer to Question No. 5—the passage to which the President drew your attention: "The history of Protection in Germany and in America would indicate that the rapid rise of industries in those countries was in the beginning largely due to a policy of Protection." Is it not a fact that both in Germany and America protection was introduced rather incidentally to meet the need for revenue ? Germany in 1879 wanted revenue, and America after the Civil War had to put on high duties and when those high tariff duties had been going on for some years, they decided to continue them for protective purposes. Is it not so ?

A. I do not know, Sir.

6136. *Q.* At the end of your answer to Question No. 33, you state "It has been suggested that if an export duty is to be placed on food grains, it should also be placed upon all raw products, so that cultivators may not be induced to grow non-food crops in preference to food crops." Does your Government recommend that ? You do not condemn it or recommend it.

A. No. The view, as you know, is that of Mr. Freemantle.

6137. *Q.* It is not the view of your Government ?

A. No.

6138. *Sir Maneckjee Dadhaboy.*—*Q.* I gather from your note that it is the well-considered opinion of your Government that the existing tariff policy has not had a stimulating effect in fostering Indian industries ?

A. Yes.

6139. *Q.* With other measures that you recommend you also desire that some sort of State aid should be given for the establishment of chemical laboratories, and technical instruction in polytechnics ?

A. Yes.

6140. *Q.* There is one passage in your reply to Question No. 11 which is very important. You say "The failure or success of a protectionist policy in India will depend on a wise and unprejudiced selection of the industries to be protected." That is an excellent idea. To whom will you leave the task of selecting ? This Commission will recommend certain general lines of policy, but would you ask each province to settle that ?

A. In actual practice, proposals for Protection will first be moved in the local legislative council, and then go on to or possibly be moved directly in the Imperial Council.

6141. *Q.* In answer to Question No. 29 you make a suggestion that the two houses of the Indian Legislature should elect a Joint Standing Committee of both houses to advise the Government of India with regard to the industries which need protection. Then you speak about the danger of constitutional change. Am I to understand that the houses will have power to select from outside, not only from members of the two houses ?

A. The suggestion was not approved of by His Excellency. He was not prepared to give any final opinion on the point.

6142. *Q.* If it is limited to Members of Council, how will you supplement expert knowledge ? Members of Council may not have expert knowledge ?

A. The trouble is that the expert may be greatly interested in the industry.

6143. *Q.* Mr. Rhodes drew your attention to a passage in answer to Question No. 23 in which you say, "This Government sees no reason why cheap cloth should not be exempted from protection, seeing that the Indian textile industry is already flourishing." He asked you a question on that point, and I think there is some misunderstanding because you said that the excise duty should be altogether abolished on cheap cloth. You say further on in your answer that foodstuffs and clothes, except those of a luxury nature, should be exempted, because they are necessaries of life.

A. Yes.

6144. *Q.* You were not under some misapprehension ?

A. I think the question may have been misunderstood.

6145. *Q.* Am I to understand that you still maintain that position to abolish the duty ?

A. I maintain what is said in the answer to Question No. 23.

6146. *Q.* But you made a general statement that import duties as well as export duties on cloth should be abolished, and I cannot allow that statement to remain on record. It is a position which has never been taken up by Government. That is what I cannot understand?

A. No. I did not mean to state that. What I mean to say was that cheap cloths must come among the necessaries of life.

6147. *Q.* Then you would qualify that statement?

A. I would avoid giving Protection to the home manufacturer at the cost of the consumer.

6148. *Q.* You retract your statement about duty?

A. Yes.

6149. *Q.* In answer to Question No. 30 you say, "This Government sees no reason why export duties should not be used for purposes of controlling export and conserving home stocks." In that connection have your Government considered the question of total prohibition?

A. No.

6150. *Q.* I am talking of foodstuffs. Which will be the lesser evil? I understand both are evils, export duty and prohibition. Which would be the lesser evil in your opinion?

A. My own private opinion is that export duty is the lesser evil.

6151. *Q.* Because further down you say, "Cotton and oilseeds might be suitable objects for a similar duty," am I to understand that your Government is of opinion that export duties on cotton could be levied?

A. No. They merely throw out the idea.

6152. *Q.* Will not that depreciate the value of prices considerably?

A. They did not commit themselves to a definit statement.

6153. *Q.* You will qualify that?

A. They only say that cotton and oilseeds *might* be suitable objects.

6154. *Q.* Coming to Question No. 33, you say, "This Government can see no justification in normal years for the artificial restriction of the export of food grains, in order that the city population may feed itself more cheaply at the cost of the agriculturist." The idea of your Government is to conserve, preserve foodstuffs. But if tempting offers are made by other countries and there is general scarcity, can people part with their food? What precautionary measures would you advise Government to adopt?

A. We have said at the beginning of the answer that "there is no question that for political and economic reasons it is most desirable to check the export of food grains in years of famine." In famine years we would stop it.

6155. *Q.* In normal years when offers are tempting and there is general scarcity in Europe the exporters will take away the available grains. What shall we do then?

A. As long as there is plenty of grain in the country, we need not do anything. If there is plenty of grain the difficulty would not arise.

6156. *Q.* If it would reduce the quantity of food available for the country, what is to happen?

A. I could not commit my Government in this matter.

6157. *Q.* You have not considered the matter from that point of view?

A. I can only say what I am entitled to. I am representing my Government and not my own views.

6158. *Q.* If you are not in a position to let us have your Government's views, I would not press for it.

A. No.

Witness No. 42.

Mr. I. D. VARSHANIC, Proprietor, U. P. Glass Works, Bahjoi (United Provinces Chamber of Commerce's nominee).

Written statement, dated December 1921.

6159. *Q.* 43. Yes, I am interested in glass industry as a manufacturer.

6160. *Q.* 44. The natural advantages for glass industry in India are:—

1. India has got almost the best quality of sand and lime used in glass industry.
2. Glass being a fragile article, the longer the distance the more the breakage in transit; hence local markets have advantage of saving the breakage in transit.
3. Glass articles are bulky; hence local factories save considerably in freight charges.
4. There is plenty of cheap labour in India and easily trainable.

6161. *Q.* 45. Glass articles are required in scientific laboratories, research works, Medical departments, for general lighting by Government and the public, for bottling medicines, chemicals, liquors; for household purposes, etc., hence the industry is essential to a great extent for the national security and decidedly it is absolutely of substantial importance to the economic prosperity of India as this industry feeds the labour to a great extent and uses the natural resources of the country in the form of raw-material. In fact this is one of the industries making gold out of mud which is abundantly available inside the country.

6162. *Q.* 46. This industry is quite new in India just getting a footing. There is very little organisation yet it will rapidly develop under suitable conditions. As far as equipment of the industry is concerned we have fairly well trained blowers now. As regards machineries there is very little at present in India but the fresh stock is being purchased every year for which, of course, India will depend on foreign countries for sometime to come. I have noticed that the Indian blowers are more hardy and can stand the hot temperature of glass furnaces better than the majority of the people of other countries.

6163. *Q.* 47. *Regarding market.*—India itself is a big market not only for home made goods but also for goods produced abroad. Import statistics prove this fact to the hilt by exhibiting annual import of about Rs 2 crores worth of glass articles. If we can supply even this market it will not be small market for us, further development of the home market apart. Besides countries around India have no organised glass industry worth mentioning; they also hold out prospective market for Indian glass manufactures.

6164. *Q.* 48. So far the majority of glass wares imported into India come from Germany, Austria and Japan and it is the competition with these countries that India is afraid of. This competition extends almost to all classes of glass wares. So far we have not been able to export anything to foreign markets.

6165. *Q.* 49. So far the manufacture of soda has another advantage for the competing countries but I believe it will not be long when India will take up this manufacture also.

6166. *Q.* 50. Because the foreign countries have got better organised and more efficiently trained labour, long standing experience and labour saving machines, their prices naturally are lower than ours, whereas glass industry in India being just in its infancy cannot produce so cheap things until it has developed the organisation and efficiency for which it needs the help of Government by way of Protection for some time to come. Hence in my opinion the Protection ought to be at least 25 per cent. because this industry needs very highly trained labour which makes the manufacturers lose heavily. The loss incurred in a year's training cannot be made good by the 25 per cent. import duty. Moreover at present the patents of some of the up-to-date machines are sold at a cost amounting to several times the cost of machineries itself. For example the Foucalt Belgium Sheet Glass Machines can be had on paying a patent price of Rs. 15 lakhs and the machine itself is of Rs. 90,000. Moreover they demand a royalty of annas 2 per square foot of sheet glass while the present price a factory can have for these sheets is not more than annas 4 per square foot. This being the position one can understand that even this 25 per cent. does not make up for the extra payment India has to make to the other countries. Of course such industries if desired to be developed should be specially helped out and protected. Regarding other glass articles my plea regarding loss incurred in training

labour is supplemented by the conveyance charges which the glass articles have to pay in India for going from one place to the other, while the foreigners send out their goods to this country by cheap waterways which are decidedly 10—15 times cheaper than the Railway charges paid in India. For example I would mention that the sea freight for glass articles from Hamburg to Bombay, a distance of more than 6,000 miles, is Rs. 40 per ton, *i.e.*, about Rs. 1-8 per maund, while the Railway charges from Bahjoi to Bombay, a distance of less than 1,000 miles, is Rs. 3 per maund. In order that we can sell our goods at the same price in Bombay taking the factory prices to be the same we need a Protection or reduction in the Railway freight.

6167. *Q.* 51. The difficulty shown above makes it clear that as soon as we get our labour efficiently trained, our own machines manufactured in India and the Railway charges fixed in the interest of Indian industries we will not need Protection after some years.

6168. *Q.* 52. So far this industry has not suffered from dumping, if at all it is not worth mentioning.

6169. *Q.* 53. Yes, the competition of Germany has been accentuated by the depressed exchange in that country.

6170. *Q.* 54. This phenomenon might last till the exchange comes to normal.

6171. *Q* 56. Owing to the industry being in its infancy and the successive enhancement of tariff ranging from 5-11 per cent. being so small, so far no appreciable benefit to the industry has been given. As the losses on account of the disadvantages in the country have been several times higher than the increase in tariff could make good this industry has so far been struggling at the cost of capitalists only.

6172. *Q.* 58. The product of this industry is of paramount necessity in bottling of liquors, tinning of preserves and electric cells, etc.

6173. *Q.* 59. Yes, this industry uses soda ash which is a finished product of Alkali factories likely to be established shortly in India.

6174. *Q.* 60. I would prefer a system under which industries receive varying amounts of Protection in accordance with their needs.

Oral Evidence, Cawnpore, the 17th December 1921.

6175. *President.*—*Q.* You are the Proprietor of the United Provinces Glass Works, Bahjoi ?

A. Yes. I am the managing agent of these works.

6176. *Q.* You are a member of the United Provinces Chamber of Commerce ?

A. Yes.

6177. *Q.* And you represent them in regard to this industry ?

A. I do.

6178. *Q.* Are your works carried on as a private enterprise or as a Joint Stock Company ?

A. It is a Joint Stock Company now.

6179. *Q.* You enumerate in answer to Question No. 44 the various natural advantages which exist for the glass industry in India ?

A. Yes.

6180. *Q.* And you further say that in spite of these natural advantages the industry is not prosperous ?

A. Yes.

6181. *Q.* With reference to your answer to Question No. 48, I should like to know (*i*) what has been the extent of the competition, and (*ii*) the actual effect on your manufactures ?

A. Up to now something like 50 glass factories have been started in India. Almost all of these factories turned out things which are imported. Many of them failed, the reason being competition. Had they not had such bad competition in their infancy, they would have survived. They could not be as efficient in the beginning as experienced people, and so they could not naturally produce articles as cheap as people in other countries with long experience. That is why they had to shut down their factories.

6182. *Q.* How many glass factories were obliged to close in consequence of this competition ?

A. Personally I know of more than a dozen factories which were obliged to close down on account of competition.

6183. *Q.* What measures would you recommend ? I see you recommend Protection ?

A. I do.

6184. *Q.* Do you expect that these industries in view of the many natural advantages will within a reasonable time stand on their own legs and face foreign competition ?

A. Certainly they would.

6185. *Q.* How many years do you think it would take and what amount of Protection would it be necessary to afford in the meantime to put them on their own legs ?

A. I have recommended 25 per cent. But the time will depend more largely on the amount of Protection we receive. The higher the Protection, the quicker will people come forward to start factories. But if Protection is meagre, it will take a long time. It will depend more or less on the Protection we have.

6186. *Q.* In your answer to Question No. 50 you say that the patents of sum of the up-to-date machines are sold at a cost amounting to several times the cost of the machinery itself. You also state that Foucalt Belgium sheet glass machines can be had on paying a patent price of Rs. 15 lakhs whereas the machine itself only costs Rs. 90,000. Will you please explain what you mean by this ?

A. These people get out patent for their machines. When anybody goes to purchase a machine, first of all they want the patent price for machines which are required for other countries. They say they would charge so much for patent price and so much for the machinery. Of course if we pay patent price, they are not authorized to sell it to any other person in that country, for which we have got the patent right.

6187. *Q.* Therefore that is entirely a different transaction. Patent rights confer the right of exclusive sale in India ?

A. At the same time it has to be remembered that they would not sell the machinery unless they sell the patent right also.

6188. *Q.* They make it a condition if you are only willing to pay the cost of the machinery, *viz.* Rs. 90,000, they would not sell it to you in India ?

A. No.

6189. *Q.* They will wait till some one took over the patent right and they would then refer you to them to get your machine from ?

A. Yes.

6190. *Q.* That is to say the result of this arrangements is that this machinery cannot be purchased under present conditions without patent rights also being bought ?

A. Yes, I could not do it. I had to purchase machinery from America. I have purchased one for window sheet glass, and the Belgian machine is decidedly better than the American machine that I have purchased. I could not buy the Belgian machine because the patent price was enormous.

6191. *Q.* You further say that they demand a royalty of annas 2 per sq. ft. of sheet glass, while the present price the factory can have for these sheets is not more than 4 annas per sq. ft. I want to know whether royalty is payable over and above the 15 lakhs ?

A. Exactly so. They would charge the royalty till 37 lakhs of rupees are paid. There is another firm in Bombay who also made some negotiations with this Belgian firm, and they got the same reply.

6192. *Q.* Then you would have to charge 15 lakhs, *plus* 2 annas, *plus* 50 per cent. sale profits ?

A. Yes. This machine is being used in Germany, France and in other countries.

6193. *Q.* Then you say you have imported another machine from America for the manufacture of this very article. Can you tell us to what extent it is a disadvantage to your industry to work with an American machine ?

A. Of course I have not gone into details, but my son who saw both the machines told me that we could save something like 15 to 20 per cent. with a Belgian machine in the cost of production.

6194. *Q.* Then it is very important. The industry is handicapped in that way ?

A. Yes, it is.

6195. *Q.* Then you go on to say " Regarding other glass articles my plea regarding loss incurred in training labour is supplemented by the conveyance charges which the glass articles have to pay in India for going from one place to the other, while the foreigners send out their goods to this country by cheap waterways which are decidedly 10 to 15 times cheaper than railway charges paid in India, for example I would mention that the sea freight for glass articles from Hamburg to Bombay, a distance of more than 6,000 miles, is Rs. 40 per ton, that is

Re. 1-8-0 per maund, while railway charge from Bahjoi to Bombay, a distance of less than 1,000 miles, is Rs. 3 per maund. In order that we can sell our goods at the same price in Bombay, taking the factory prices to be the same we need Protection or reduction in the railway freight." We have been told by many people that the railway rates now charged are a great handicap to the development of industries.

A. Yes.

6196. *Q.* But in regard to your industry, have you not a considerable advantage by the fact that there would be considerable less breakage in transit between your factory and Bombay than between Europe and India?

A. No. Goods coming from foreign countries come in steamers, and the goods once loaded are taken out only at the place of destination, *i.e.*, the marketing place. There is no transhipment in that case, while the goods that we send through railways have got to be transhipped 10 or 12 times before reaching Bombay.

6197. *Q.* I do not think that would be necessary if the two places are served by the same gauge of railway; then no transhipment would be necessary; but if there are different gauges then the goods have to be transhipped?

A. You are right in the case of big consignments. But small consignments have got to be transhipped almost at every junction.

6198. *Q.* Therefore the breakage is considerably greater?

A. Yes.

6199. *Q.* How do you explain that there is 50 per cent. difference between the two. In one place you say one is 10 to 15 times greater than the other.

A. Freight for a distance of 6,000 miles costs 1-8-0 per maund, while in the other case for 1,000 miles it costs Rs. 3 per maund. The distance is 6 times greater and the freight is half.

6200. *Q.* Waterways are cheaper 10 to 15 times distance for distance?

A. Yes, distance for distance and weight for weight.

6201. *Q.* Can you give us any information as regards current prices, cost of manufacture, cost of transport to consuming markets, in order to ascertain whether your request for a 25 per cent. protective duty is reasonable or not?

A. The cost of production varies so much to-day that if my labour is not efficient, probably the cost of production would be double or treble than when my labour is more efficient. It is very difficult to give you an idea. I may tell you what is going on in my factory to-day and what was going on 10 years back. Would you like to have that information?

6202. *Q.* I should like to have all the information to show on what *data* you have worked out a protective duty of 25 per cent. On what basis do you recommend that Government should give you Protection to that extent?

A. In the beginning, as I have told you, 25 per cent. is not enough, but after some time it will, I think, be enough. Our labour would then be sufficiently trained. I do not know if for some time 25 per cent. or even 50 per cent. would be enough for certain articles such as window sheet. But I have been doing for the last 10 or 12 years, chimneys, globes, tumblers, etc., and in these I have found that after a year or two, 25 per cent. places us on a better footing and we can compete, especially as we are at long distance from the importing place. In Bombay itself, I do not think that 25 per cent. is enough. I have taken this figure with the idea that those who want to sell their goods direct, and not through Bombay, will pull on.

6203. *Q.* Your suggestion of 25 per cent. is the minimum and in coming to that figure you have taken into consideration the further handicap to imported articles by railway fares from their ports to the market?

A. Yes.

6204. *Q.* And but for that, you would want a higher Protection?

A. Surely.

6205. *Q.* As regards your answer to Question No. 59, will you let me know whether you use imported soda ash at present?

A. Yes.

6206. *Q.* You have to use soda ash which you import and therefore your cost of production is increased in consequence of having to use imported article, and then you express the hope that these factories will be established shortly in India. Will you please tell me on what grounds you base that?

A. Probably you might be aware that in 1914 a syndicate was being formed in Bombay and they wanted to manufacture soda, but that the venture had to be postponed on account of the war. I hear they have got a scheme to manufacture soda somewhere in Dwarka side. Then there is another gentleman in Kathiawar who is also thinking of it. There are many people who are thinking of it. There is another firm in Bombay itself who do washing soda, but that Company is also thinking of starting soda ash factory. They have got that in view. I do not know when it will be established.

6207. *Q.* Then you think that the establishment of the soda ash industry in India would be of material assistance to the glass manufacturing industry?

A. Certainly.

6208. *Q.* In answer to Question No. 60 you say that you would prefer a system under which industries receive varying amounts of Protection in accordance with their needs, that is to say, (at present we are dealing with the glass industry), you think that the need of this industry will be satisfied by a duty of 25 per cent?

A. This would be sufficient for chimneys, globes, and tumblers, but for sheet glass I think we will require yet more.

6209. *Q.* How much?

A. I think for a year or two I will be handicapped by 40 to 50 per cent. If 40 per cent. duty is put on I can probably compete.

6210. *Sir Maneckjee Dadabhoy.*—*Q.* I understand your great rivals are Austria, Germany and Japan. Which is your biggest rival?

A. Before the war Austria and Germany used to supply something like 60 per cent. of the demand. Next to them used to come Belgium, and then Japan, England, Italy and others.

6211. *Q.* Your greatest rival was Austria?

A. Yes.

6212. *Q.* How much per cent. used to come from Germany?

A. At an average Austria and Germany combined used to send about 60 per cent.

6213. *Q.* I understand that your difficulties are of a three-fold character, special machinery which involves the acquisition of patent rights, skilled labour and transport charges.

A. Yes.

6214. *Q.* Is there any foundation for the rumour (I have heard it very often) that we are not in a position to know the secret processes of these manufacturers, and therefore we are not in a position to compete with them?

A. No. I do not think so.

6215. *Q.* You don't think there is any foundation for it?

A. No.

6216. *Q.* Assuming that this 25 per cent. duty is put on, would you be able to compete with these people at a profit? I cannot understand it, because you say you want these big machines which involve several lakhs of rupees, and that you cannot get the machines here unless you get these patent rights. Will you be able with substitutes and with a 25 per cent. duty to hold your own against them in competition?

A. Yes. I think we can do so easily.

6217. *Q.* If an article is manufactured by you and sold at Rs. 5, at what rate can Austria put it on the market?

A. I explain this with a specific example of Dietz lantern globes. The present Indian price is varying from Rs. 2-12-0 to Rs. 3 per doz. The Japanese price for the last 4 or 5 months has been at the rate of Rs. 2 to Rs. 2-4-0. The Germans and Austrians have begun to supply at the rate of Rs. 2-4-0 to Rs. 2-6-0.

6218. *Q.* Is there a margin of 25 per cent. between these two?

A. I think so.

6219. *Q.* Of course if they still reduce the price you would be nowhere?

A. Even now we sell our goods, though they are a little dearer than the imported articles. If they reduce the price we would be hard hit. If we are given some Protection then we will decidedly be in a better position than we are to-day.

6220. *Q.* Is it not the fact that the people in this country wish to buy the foreign goods because they are of a better finish than the Indian articles?

A. I think I have been able to sell my goods even in Calcutta and Bombay at a higher rate not because they are swadesi but rather for my quality.

6221. *Q.* But in point of finish can you compete with these people?

A. Certainly. There is no trouble about that.

6222. *Q.* Besides this 25 per cent. have you got any other suggestion to make as to the character of the Protection to be given to this industry?

A. Now soda is being charged at 11 per cent. If the cotton mills import soda ash they are not charged any

import duty, but if other people import they are charged import duty. Just as import duty is excused in the case of the cotton mills I think similarly it may be excused for glass too.

6223. *Q.* Then I understand for the constituent parts of this material you would want that they should be allowed free. As a sort of indirect Protection these things may be allowed free?

A. Yes.

6224. *President.*—*Q.* Till the time our soda factory comes into existence, we might protect soda importation also. But as long as we have not got it, it is as well, in order to encourage this glass industry, to allow this soda to come in. Would you not discourage those people from going in for it?.

A. I think we are not very philosophic.

6225. *Sir Maneckjee Dadabhoy.*—*Q.* Probably you would like a rebate being given to you?

A. I think it is a very good idea.

6226. *Mr. Rhodes.*—*Q.* It seems to me that it will be impossible for us to establish the soda ash industry?

A. Of course that has got to be protected. I have already explained that as soon as we come to a point when soda is available in India we will buy from that industry. In industries we are more careful about ourselves than about others.

6227. *Q.* If we protect the soda industry when it starts we shall be hitting you?

A. We will find some other better ways.

6228. *Q.* How long have you been working your glass factory?

A. For the last 15 years.

6229. *Q* You are still working?

A. Yes.

6230. *Q.* So far you have been managing without Protection?

A. Sometimes we have been in considerable difficulties.

6231. *Q.* Where are you sending out your goods?

A. I am sending out my goods to almost all parts of India?

6232. *Q.* Including ports?

A. Yes. Railways are more particular in purchasing from me. They care more for quality than for price.

6233. *Q.* Where is the bulk of your produce sold, nearer ports or nearer here?

A. The bulk is consumed in the United Provinces and the Punjab.

6234. *Q.* The higher the railway rates the greater the advantage, so that it is really in the interests of glass manufacture that you settled down up-country.

A. Yes.

6235. *Mr. Seshagiri Ayyer.*—*Q.* You know that there was a glass factory in Madras (in which I was to a certain extent interested).

A. I quite know it.

6236. *Q.* It was a failure?

A. Yes.

6237. *Q.* I want to compare the conditions then existing in the country with the conditions now existing which have made you a success and the other one a failure.

A. I will tell you. If I am not mistaken it was started about 1908. They worked for about a year or so.

6238. *Q.* 18 months.

A. Something like that. They had a capital of 4 lakhs. By the time they passed one year and a half most of their capital was gone.

6239. *Q.* What was the duty then?

A. At that time only 5 per cent.

6240. *Q.* Now?

A. Now it is 11 per cent.

6241. *Q.* That helps you to a certain extent?

A. Now we are rather in a better position.

6242 *Q.* If the duty had been 11 per cent. do you think it would have been better or even then would it have failed?

A. I cannot say. Soda bottles were tried by a couple of other factories. More or less on account of this competition they have been obliged to stop.

6243. *Q.* I think in this country every year about 21 lakhs worth of soda bottles are being used?

A. Yes.

6244. *Q.* We in our Madras factory tried first of all to manufacture soda bottles, and we had exceedingly good natural facilities. I think we used ash lime and the bottles we produced were superior in quality to the bottles produced elsewhere. Of course there was also foreign competition. The more we wanted to produce the keener became the competition, so much so that they began to under-sell us. Supposing we start again with a duty of 25 per cent. do you think we would be able to stand?

A. Yes, especially in the matter of chimneys, globes and things of that sort. But for window glass, etc., I would want a slightly higher Protection.

6245. *Q.* So far as soda bottles are concerned, with 25 per cent. we will be able to stand in Madras?

A. I think so.

6246. *Q.* You state that in addition to the cost of the article you have to pay for the patent and for royalty. Supposing we had our protective duty and we could come to some terms with the people who sell to us that unless they gave us the patent we would not purchase from them. Will that be of any use to the purchasers here?

A. I do not quite understand you.

6247. *Q.* My point is this: Government also have to purchase glass. Now suppose Government told the seller "We will not purchase from you unless you sell to the Indian who will take your machinery the patent." Suppose it was possible to do that. Would it be of any help?

A. Machine manufacturers and bottle manufacturers are not one and the same people.

6248. *Mr. Coyajee.*—*Q.* In your answer to Question No. 46 you say "As far as equipment of the industry is concerned we have fairly well trained blowers now." But the complaint is made that in India glass blowers are not good and the inferior quality of the glassware is particularly due to this fact.

A. I suppose this remark is 10 years old.

6249. *Q.* It was made by Sir Alfred Chatterton.

A. Then it is 4 years old.

6250. *Q.* This book (the Industrial Handbook) was printed in 1919.

President.—I think he wrote it at the time of the Industrial Commission.

6251. *Mr. Coyajee.*—*Q.* No. After it. Have things progressed now?

A Yes. I think within the last 6 years there has been very great progress.

6252. *Q.* I only put this view before you for criticism and suggestion. Coming to the transport problem, I would again invite your criticism to the statement of Sir Alfred Chatterton. He says "It is difficult to assign adequate reasons for the location of most of the factories in the places where they have been started". Again he says "These facts are fully recognised by the managers and proprietors of existing glass factories and almost without exception, they propose that the initial errors they have committed in selecting sites for their factories should be minimised by special concessions for the transport of raw materials and manufactured articles over the railways. There are, no doubt, anomalies in regard to the railway rates and they have been brought prominently to light; but in the economics of the industry, they play an extremely unimportant part and they should not be allowed to obscure altogether the main issue, which centres round the fact that the sites for most factories have initially been selected regardless of the fact that the assemblage of the raw materials would involve heavy transport charges." Is there any truth in this assertion?

A. If you can give any specific example I would be glad. But I know that we select the site for a factory for the sake of the market and sometimes for the sake of the raw material. I would say personally I would rather choose a place which is more congenial to me as far as market is concerned than raw material, because railway freights on the raw material are generally first class and on the finished goods second or even third class.

6253. *Q.* Other defects are the making of crucibles?

A. It has not been taken up at all.

6254. *Q.* Crucibles from Japan are costly and not good at all?

A. Yes.

6255. *Q.* As regards the 25 per cent. duty surely all the kinds of glasses would not require 25 per cent. Some would require less and some more. Beads would not reuire 25 per cent. Sheet glass may require a higher per cent. duty.

A. About beads I cannot say. I am not an expert. They mostly come from Venice. But leaving the duties on beads I can say that 25 per cent. is probably the minimum.

6256. *Q.* I mean there will be different rates for different glasses.

A. Yes.

6257. *Sir Montagu Webb.*—*Q.* You informed the Commission a few moments ago that your own industry had made great progress during the last 10 years. Great improvements during the last 10 years have been made no doubt under the stimulus of the competition with which you were faced?

A. Yes.

6258. *Q.* If you receive 50 per cent. Protection will that not rather tend to relieve you from the anxiety to improve your factory?

A. It will encourage me to improve my factory.

6259. *Q.* Why?

A. When I know that under these hard conditions I could do something, and when I am given some help I would take more pains to improve myself.

6260. *Q.* The more you are protected the more yet you will take?

A. Naturally. Artist people are always more careful about their quality, and this comes under an art. Of course this is a thing quite of daily use, but after all, it is an art.

6261. *Q.* Do you think the time will come when you will be able after some years to compete with other countries?

A. I think so.

6262. *Q.* As the industry is improved you will be able to compete with other countries?

A. Certainly.

6263. *Q.* So that possibly you might send glassware to Italy instead of Italy sending it here?

A. I can, I think.

6264. *Q.* You feel that you are making progress?

A. Decidedly.

6265. *Q.* Would you make more progress if you are protected?

A. Yes. It is only one or two factories that are now hopeful of continuing their work. Many of the factories, I am afraid, will go down shortly. I cannot say that we have been making satisfactory progress, I suppose, as far as the financial condition is concerned.

6266. *Q.* May I ask you once more what your chief difficulties are? I have made a note of them. They are machines, labour and transport. Is that right?

A. Yes. Quite right.

6267. *Sir Edgar Holberton.*—*Q.* Where is your factory?

A. At Bahjoi, in the district of Moradabad.

6268. *Q.* Where is it?

A. If you go from Cawnpore you reach Aligarh, from Aligarh by the Oudh and Rohilkhand line to Bareilly. It is near there.

6269. *Q.* How did you select that place?

A. In this industry labour is very important, and at that time I had three glass factories in other places. I wanted to have a place where I could train my labour and send to other places, and that is why I chose this. Moreover, Bahjoi is quite close to Delhi, Lucknow and Cawnpore. It is a central place, and I thought I could have three important markets about me. Labour is cheap, and I am on the main line on the broad gauge. So I thought it would be the right place.

6270. *Q.* You don't get any sand or lime there. You have to import them?

A. Quite so.

6271. *Q.* Therefore you have started with a bit of disadvantage except with regard to labour?

A. As regards locality it is advantageous, but as regards raw material it is under a disadvantage.

6272. *Q.* Where have you got the other three factories?

A. One is in the district of Poona.

6273. *Q.* Is it successful?

A. We are going on.

6274. *Q.* Where are the other two?

A. At Ambala.

6275. *Q.* You have got 4 factories running now. There is one point that I want to take up about transport. It appears to me that you said that your main market is really up here, Delhi, Lucknow, Cawnpore, etc. I do not know why you make out a case about freight to Bombay?

A. If I have got to send my goods to Bombay.

6276. Q. But you have got your markets here?

A. I cannot expect that all my goods will be consumed by the local market. I may have some chance to send them to Bombay, Karachi and Madras.

6277. Q. At the present moment you are in a very strong position, because the others have got to send their goods by rail.

A. I have got some advantage as compared to the others.

6278. *Q.* Do you sell your output locally?

A. Yes, partly.

6279. *Q.* You don't send actually to Bombay?

A. Not much except for railways.

6280. *Q.* If you get it in wagon loads of course the freight is cheaper?

A. No. They don't give cheaper freight rates for wagon loads.

6281. *Q.* You save all the handling?

A. Yes.

6282. *Q.* In your answer to Question No. 45 you say "Glass articles are required in scientific laboratories, research works, Medical departments, etc." Can you as a matter of fact make any of these three sorts of glasses?

A. Yes. For laboratories I am making test tubes and glass tubes and things of that sort.

6283. *Q.* Simple little things?

A. Yes.

6284. *Q.* As a matter of fact when you talk about Medical departments and scientific laboratories, you really rather make one thing of very elaborate and highly scientific glasses.

A. I am not speaking of those kinds of articles. What I am making is quite different.

6285. *Q.* You have not yet tried to make these?

A. I have not made very highly complicated scientific apparatus.

6286. *Q.* Do you think you will ever be able to make them in India?

A. I do not think there is any difficulty in it. Personally I can make any kind of scientific apparatus.

6287. *Q.* You can?

A. Yes.

6288. *Q.* In time you may be able to compete even in that trade?

A. I think so.

6289. *Q.* You say annually we import about 2 crores worth of glass goods in India. Can you tell me whether what you manufacture would in any way compete with that class of articles?

A. The import of chimneys and globes is just about 24 to 25 lakhs in a year, and whatever I am making I am selling. That means that I do sell, it may be through quality or through the advantage of something else.

6290. *Q.* You have got about 2 crores worth to compete against?

A. No. At present our manufactures have got to compete with only 26 lakhs worth. I do not think all the other factories in India (there are about 14 or 15) are turning out more than 10 lakhs worth.

6291. *Q.* As regards other factories they are doing some thing less than one-third?

A. No. Something less than one-fourth of the total demand of such articles in India.

6292. *Q.* You say that even if you got 25 per cent. Protection you would still be losing. You say the loss incurred in a year's training cannot be met by the 25 per cent. duty. What do you mean by that?

A. The workmen in the glass industry require about three years' training. In the first year, the output of glass will be very small and the 25 per cent. duty will not enable us to compete successfully. It will be only in later years that we will be able to compete.

6293. *Q.* Will you produce anything when the men are under training?

A. Yes.

6294. *Q.* Will it be less in quantity or worse in quality, or both?

A. I should say both.

6295. *Q.* You could produce glass even with inefficient men?

A. Yes. If an ordinary workman who is new to the work makes 10 chimneys in an hour, an efficient man will be making 100 in an hour.

6296. *Q.* Does the Indian take to glass making? Does he take to the heat?

A. The Indians are most suited of all in the world, perhaps with the exception of the Japanese. The Indian can stand the heat better than anybody else. It is surprising that in my factory all sects, whether Hindu or Mahomedan, blow in the same pipe. But generally I have found that Mahomedans have got better aptitude for this industry than others.

6297. *Q.* You think that this is an industry which will improve with a little encouragement?

A. Yes.

6298. *President.*—*Q.* Do you know of a glass factory which was recently established in Bombay?

A. There are four or five glass factories in Bombay.

6299. *Q.* Where do they get their raw materials from?

A. Sand they get from Bargarh, which is just between Allahabad and Jubbulpore; lime they get from Katni.

6300. *Q.* Are they successful?

A. One of them is all right. There is a hope of its going on. I am afraid about the others.

6301. *Q.* What do the transport charges come up to per maund of the raw material to be taken to Bombay for manufacture ?

A. It would come to about Rs. 1-8-0.

6302. *Q.* And you ?

A. Re. 1.

6303. *Q.* So the factory established in Bombay, so far as the cost of raw material is concerned, purely in regard to transport charges would pay half as much again as you have to pay ?

A. Yes. But there are other disadvantages.

6304. *Q.* You have mentioned that the railway companies charge half rates on raw materials while double that rate is charged on the manufactured goods.

A. Yes.

6305. *Sir Maneckji Dadabhoy*—*Q.* You are the proprietor of a Joint Stock Company ?

A. I was sole proprietor about 4 months back.

Witness No. 43.

Sir LOGIE WATSON.

Oral evidence, Cawnpore, the 16th December 1921.

[*This witness did not submit any written statement.*]

6306. *President.*—You are interested in hides and skins and leather manufacture ?

A. Yes.

6307. *Q.* You have a factory here for the manufacture of leather ?

A. Yes.

6308. *Q.* What do you think has been the effect of the recent export duty which has been put on hides and skins ?

A. I do not think it has had any effect at all so far.

6309. *Q.* What effect has it had especially in the direction of prices ?

A. That is a question to which I cannot give a positive answer. There has been a slump in the hide market. If things become normal we could see what the effect would be.

6310. *Q.* Can you tell us if you have got information as to the total quantity of hides and skins dealt with in the Cawnpore market ? I suppose part is manufactured and part is exported in the raw condition ?

A. Cawnpore used to be a large hide-collecting centre at one time, but it has practically ceased to be that now, since the Germans left us.

6311. *Q.* Then there is no local market for hides and skins ?

A. We get our supplies from all over the country as far as Peshawar.

6312. *Q.* Do you purchase them from the local dealers who bring them to Cawnpore, or do you purchase them direct from the hide dealers outside and get them down here ?

A. We purchase from hide dealers and get them down here.

6313. *Q.* So you have not a local market here ?

A. There is only a small number of men doing it now. But before the war and during the war a big business was done in that way.

6314. *Q.* And it has ceased now ?

A. More or less diminished.

6315. *Q.* How long has your leather factory been in existence ?

A. About 40 years.

6316. *Q.* Have you met with any difficulties which you think Government could remove ? I want to know whether by Protection or other means Government could help in establishing the industry and making it a success.

A. If an import duty is put on leather goods, it would naturally help the industry.

6317. *Q.* Does the 11 per cent. duty apply to leather goods ?

A. Yes.

6318. *Q.* Do you think that is adequate to help the industry ?

A. We have really not had the opportunity of testing it yet in consequence of the present state of the market. At present there is an enormous stock of boots and shoes in India and they are not importing many at the moment.

6319. *Q.* Were you able to judge of the 7½ per cent. duty which existed since 1919 ?

A. No, because during that time we were making supplies for Government only.

6320. *Q.* You were making war supplies ?

A. Yes.

6321. *Q.* Now that war supplies are no longer required, where do you find your market, in India or outside ?

A. In India and we have exported to Greece, Turkey and Egypt. These markets are all closed now.

3322. *Q.* What are the prospects for the industry in India ? Can you supply most of the Indian needs and also spare for export to other countries ?

A. I think the prospects are that India would increase her production, but I should say the production of leather possibly more than of leather goods particularly for export purposes. India's export trade must in my opinion be extremely limited so far as boots and shoes are concerned, in consequence of the incapacity of the Indian to give the desired finish for the home market.

6323. *Q.* Then, as regards the materials for tanning and other measures that may be necessary to carry on your industry, is there any difficulty which could be solved by the help of Government ?

A. Certainly. Government can do a great deal.

6324. *Q.* Can you make a suggestion ?

A. Government should lay out large plantations of *cassia auriculata*. You are of course aware that this shrub occurs in Rajputana, in Hyderabad (Deccan), in Madras and in the Bombay Presidency. It does not occur wild here, but it can be cultivated here. It is too big a scheme for a private firm to undertake.

6325. *Q.* What does it cost you to bring it from other parts of India to this place ?

A. It costs us much more as compared with Bombay, Madras and Rajputana.

6326. *Q.* Is there any other direction in which you think the industry could be helped ?

A. Of course the cultivation of other tanning materials would help. *Babul bark* I used to get for 8 annas a maund but its present price is Rs. 1-12 a maund.

6327. *Q.* Is it due to the general rise in prices or are there any special reasons ?

A. This part of the country has not got much of the stuff left.

6328. *Sir Edgar Holberton.*—*Q.* Is this *cassia auriculata* entirely essential for your purpose ?

A. No. We use other materials, but this is the best agent for a particular purpose. The Government put up some proposition for this sort of cultivation of the raw materials in Burma, but it did not mature.

6329. *Q.* Could you recommend such a plantation on a commercial basis ? Would it pay ?

A. If Government laid out say 1,000 acres, I think they would be able to sell the bark, but I cannot say it will be a commercial success. The Forest Department will know all about it.

6330. *Q.* This export duty you say has not had any effect on you. You say the conditions are abnormal. Could you say what has happened to the producer of hides on account of the export duty ?

A. I do not think anything has happened to him.

6331. *Q.* Has it not reduced the market for his hides ?

A. At present the market is partially closed for him. At present the export trade is more or less dead.

6332. *Q.* But you would not put that down to the duty ?

A. Not at all.

6333. *Q.* It is due to the conditions of the trade at the present moment ?

A. Yes. The only export trade we have done is in goat skins. About two years ago goat skins were selling at Rs. 6 or 7 each : now they are down at Rs. 2.

6334. *Q.* They are saleable and there is a certain demand for them still in America ?

A. Yes.

6335. *Q.* And hides ?

A. In pre-war days buffalo hides went to America ; cow hides went to Germany. They have a 25 per cent. tariff against leather in America and Germany and other continental countries. Our only market for tanned hides is therefore England, but that is a small market. So long as these tariffs exist against us there is no prospect for the tanning industry in this country developing to its full capacity.

6336. *Q.* Could that be dealt with ?

A. Yes, by putting a 50 per cent. export duty on our raw hides but I do not recommend this. I merely fix 50 per cent. as the duty required to make it countervailing.

6337. *Q.* Would we not be cutting our own throats ?

A. Well, it will disturb us a little while. Meanwhile, the industry will grow in India, large demands will arise for boots and shoes in this country, and the off-take will in consequence be great in India.

6338. *Q.* Boots and footwear do not come from England ?

A. They come from England mostly at the present time, but Austria used to ship large quantities of shoes to India.

6339. *Q.* Were you troubled at all with dumping ?

A. We were troubled with dumping from England too. I do not know what you mean exactly by dumping, but I will xplain the whole thing. There is the hide : there are various portions in it differently suited for various grades of boots and shoes. Out of the best portion the high grade boots and shoes are made. Then you get out of the second best portion second grade boots. Now we in India have got to buy the raw hides and tan them, and we have got to utilise the whole of the hides. The outlet for boots of the first grade is very small in India, and so we are frequently compelled to utilise first grade leather in second grade boots and shoes. The English manufacturer, on the other hand, uses all the first grade leather for first grade boots and shoes, and therefore makes his money out of the first grade leather and dumps on us the lower qualities of boots and shoes which he makes out of the lower grade leather. The stuff that he cannot sell at home he sends out here.

6340. *Q.* Is this stuff which he dumps here poor in quality compared with the quality you produce here ?

A. It compares equally with the produce we get here except that it is better finished. The Indian worker has not the necessary taste for fine work.

6341. *Sir Montagu Webb.*—*Q.* Will you kindy explain to us how an export duty of 50 per cent. on hides would help you ?

A. I do not know what would happen if you put on an export duty of 50 per cent. But I will tell you what has happened in regard to goat-skins. We have frequently shipped over a million goat-skins to America per month and America by handling this large no. is put in a position to handicap India and England. She utilizes what she needs for her own internal requirements and dumps the balance on England or India. But if we put a 50 per cent. duty on our goat-skins and make America pay Rs. 3 instead of Rs. 2, America would have in my opinion to do one of two things : either she would have to pay the duty or abolish her import duty on leather. If she removes the import duty I would accommodate her by removing our export duty on raw skins.

6342. *Q.* If the price of skins is lowered in India, what would be the result ? Would it put up the price of mutton ? We have been told that if they do not get a good price for skins you would have to pay more for your mutton.

A. The duty must be gradually increased. Meantime I am referring to goat-skins.

6343. *Q.* There have been protests already even though the present duty is very small ?

A. In this country the Chambers of Commerce accepted the duty.

6344. *Q.* Leaving aside the herdsman and goatsman, would you advocate an export duty on goat-skins commencing in a small degree and then screw it on ?

A. Yes.

6345. *Q.* That you think would help the industry ?

A. Yes.

6346. *Q.* It does not apply to hides as a whole ?

A. Yes.

6347. *Q.* I have always understood that there are several qualities of hides which cannot compete in the home markets.

A. It would have to be a very complicated duty if it is to be a fair one. A large number of our hides are such that the country would be glad to get rid of. It would have to be a discriminating duty if it were to be fair.

6348. *Q.* Now as regards the import duty. You also advocate an import duty on boots and shoes and leather goods. How much duty do you think would be required to give the industry substantial assistance ? I understand that a very large percentage of the boots and shoes imported into this country could not be manufactured in India at all. Would you tax the importations as a whole, or would you discriminate ?

A. If you try to discriminate I foresee extreme complications and there would probably be no duty paid at all. I should, therefore, advocate an all round duty of 12½ to 15 per cent. I am only basing these figures on pre-war experience.

6349. *Mr. Coyajee.*—*Q.* We are informed that more leather is produced in India than the boot and shoe trade can utilise.

A. That is exactly the case, Sir.

6350. *Q.* And for the present our chances for export of extra leather are limited ?

A. You have got no market for that leather.

6351. *Q.* You want to put on export and import duties and force the market ?

A. Yes, that is the idea.

6352. *Q.* In answer to a question from the President, you said that the incapacity of the India worker to give the finish required by the home market will always limit the export of leather ?

A. That applies to leather manufactured goods only and not to tanned leather.

6353. *Q.* There is no hindrance of that nature which reduces the export ?

A. No. In the Bombay and Madras tanneries they can make leather very suitable to the home tanneries requirements because they can re-tan it and manipulate it. That is the advantage of using *cassia auriculata*. You cannot do this with other tanning agents so effectively.

6354. *Q.* You prefer the use of *cassia auriculata* in order to give some help to the export trade, because the goods exported would receive a better market ?

A. Yes.

6355. *Mr. Rhodes.*—*Q.* The Calcutta Hides and Skins Shippers Association have completely changed their views on this subject, and they have put up a protest to us on the subject which we shall deal with when we get down to Calcutta. In that statement they say that the duty seems to have been imposed by the Government under the mistaken impression that Indian hides would not come into competition with other hides and skins. They say this is not the case and that they could come into competition in the world's markets with hides from Java, China, the Argentine, East Africa, West Africa, United States and other countries. They cannot therefore be taxed to any appreciable extent without injury to the trade. Goat-skins are more in the nature of a monopoly. The duty does not bear so heavily on them. Their general argument is that owing to these duties, the trade we used to do has been diverted to other countries, who are now supplying the hides. Can you tell us anything about your views on that point ?

A. I do not agree with the views.

6356. *Q.* About the monopoly question ?

A. I consider that the East India kid is as much a monopoly as the East India goat is. When you speak of competition with hides from Java, China, Argentine and so forth, you are speaking of an entirely different class. There is no more competition between the two than there is between a mule and a polo pony.

6357. *Q.* If you put up the price of the latter will the people buy the mule instead ?

A. I think it is an extremely exaggerated statement.

6358. *Q.* Do you think we have a monopoly in the sense that other countries so need our leather that we can compel them to take it whatever duty we may put on it ?

A. I would not go as far as that. Taking the years 1912, 1913 and the beginning of 1914, before the war, cattle in this country were being actually killed for the hides alone and a 15 per cent. export duty would not have had the least effect on the market.

6359. *Q.* Still unless this duty is really effective and hurts other countries, we cannot by means of this duty get them to lower their tariffs. We must put it high enough to hurt them before they can feel the effect of it ?

A. Yes in fine.

6360. *Q.* It must be sufficient to have the bargaining power ?

A. Yes.

6361. *Q.* Of course yours is not the only trade that wants to be protected by import duties ?

A. No. I think all want it.

6362. *Q.* Do you import very much raw material in your business in the way of machinery, stores or chemicals ?

A. We do a good deal, in what is termed grindery, *i.e.*, hobnails, standard screw wire, etc., etc.

6363. *Q.* And machinery ?

A. We get all our machinery from England. We must get it from England. It is a monopoly business.

6364. *Q.* All these people want that these sorts of things should be produced in the country and want to put a heavy import duty which might hit you, for instance, a 15 per cent. duty on machinery ?

A. In my opinion, it is not likely to be made in India for the next 25 years, unless the manufacturers at home come out here and start the business.

6365. *Q.* Would 20 per cent. on all stores imported for instance have any appreciable effect on your selling prices ?

A. It will.

6366. *Q.* Including building materials, girders ?

A. No. I was thinking of stores.

6367. *Q.* I am referring to everything, — girders, stores machinery — which you import ?

A. Yes.

6368. *Q.* The price would go up ?

A. Yes.

6369. *Q.* Do you think it would be a set off against their own protection ?

A. I think a duty of that kind would be.

6370. *Q.* But not to the same extent ?

A. It would be an encouragement to Engineers in India.

6371. *Q.* But you would not look upon it favourably ?

A. No, I would not.

6372. *Mr. Mant.*—*Q.* Do you make up skins here as well as hides ?

A. Not many skins.

6373. *Q.* I understand you advocate an export duty on skins just as much as on hides ?

A. Yes, I am thinking of other people in Southern India.

6374. *Q.* I understood from your evidence that you rather recommend a high export duty as a sort of retaliation or at any rate as a means of forcing them to put down their duty on leather ?

A. Yes.

6375. *Q.* Then I understood you to say that you wanted to work up to that gradually ?

A. Yes.

6376. *Q.* If you are going to use it as a pistol, you must charge it to the full at the start, otherwise it would not be effective ?

A. India wants money at the present time and I would advocate the retention of the present duty meantime for revenue purposes, to save taxation in other directions.

6377. *Q.* In recommending to work it up gradually, you really give up the idea of using it as a weapon ?

A. It may cease to be a weapon if foreign import tariffs are removed.

6378. *Q.* You do not really lay much stress on the point ?

A. No, not of an immediate increased duty.

6379. *Sir Maneckjee Dadabhoy* —*Q.* What firm do you represent here ?

A. Cooper Allen & Co.

6380. *Q.* Your firm is one of the largest, if not the largest manufacturers of these goods in India ?

A. Yes.

6381. *Q.* You are also a member of the Legislative Assembly ?

A. Yes.

6382. *Q.* And you have given your evidence from your experience of a lifetime in this particular trade ?

A. Yes.

6383. *Q.* I gather from your answers to-day that the essence of your opinion is that it is too early to pronounce an opinion whether the 15 per cent. export duty has been instrumental in causing this depression in the export trade ?

A. I am not in a position to speak definitely on it but I do not believe it has.

6384. *Q.* But, on the contrary, your considered opinion is that there should be a discriminating duty, and that that duty should be raised from time to time as circumstances permit in order to protect the Indian leather industry ?

A. If that was found feasible.

6385. *Q.* We have been told that this preference of 10 per cent. which has been given to the Empire has really proved to be a hindrance rather than a help, for it hampers the distributing trade in the United Kingdom. What is your opinion about it ?

A. In my opinion, first of all the United Kingdom will never be a big distributing centre for raw hides.

6386. *Q.* That is what I want to gather. What are your reasons ?

A. My reason is that originally a large number of raw hides was sent to England. The Germans bought them from London houses. The Germans came out to this country and found that there was a big market for raw hides on the continent and they naturally shipped at the cheapest rates and to the nearest ports to be used there, such as Hamburg and other places.

6387. *Q.* When was this done ?

A. It started when I came out to India. I think it has been going on for probably about 40 years.

6388. *Q.* So you do not think this hampers the distributing trade in the United Kingdom ?

A. It cannot do so. London will never be a distributing centre for raw hides.

6389. *Q.* Have you got any opinion about this rebate to the Empire ? Is it right to give a rebate to the Empire ?

A. I should like to give the rebate. The Chamber of Commerce says that it would like to give it and I agree with that. I like Imperial Preference, if possible, myself.

6390. *Q.* How will that affect the interests of the leather manufacturing industry in India ?

A. It would put it in the same position as it is in to-day.

6391. *Q.* And where is the reciprocal advantage to India ? Will there be any reciprocal advantage to India on that basis ?

A. I do not think so, except as I have already said England is the only free market for leather.

6392. *Q.* Then why do you recommend the preference ?

A. It is a matter of one's nationality.

6393. *Q.* Then it is only a feeling, sentiment ?

A. Yes, mainly.

6394. *Sir Edgar Holberton.*—*Q.* If we put 50 per cent. duty on skins, you said that it would make the Americans pay 3 shillings instead of 2 ?

A. They are paying 2 shillings for raw skins.

6395. *Q.* Have they an alternative market ? We have been told by the Calcutta Hides and Skins Shippers Association that they have no alternative market and that India has a monopoly in skins ?

A. Yes.

6396. *Mr. Rhodes.*—*Q.* If we put the same percentage of duty on imported leather goods as we put on stores and other things that we import, would you be better off when the duty went up or when the duty went down ? You have got to face the two sides. Stores are going to cost you more and leather goods will also cost more in the country. If the same percentage of duty were put on both, would you rather have the duty high or low ?

A. I would have it low on stores and high on leather goods.

6397. *Q.* If we have got the same on both, would you rather have 10 per cent. or 20 per cent. on both ?

A. I would rather not have 20 per cent. at all in that case. I hope Government will not contemplate imposing heavy taxation on raw materials coming into the country for the sake of industries.

6398. *Q.* There are certain people in India who want to manufacture these raw materials and they will ask for it. Some of the raw materials can be manufactured in the country ?

A. Very few of them.

6399. *Q.* If there was a high import duty on leather goods and you also had to pay a high duty on stores, you would rather do without both ?

A. I would rather be without an import duty on both.

6400. *President.*—*Q.* Don't you think that the answer to Mr. Rhodes will depend upon the quantity and value of the stores that you consume ? Supposing there was a duty of 15 per cent. on leather goods you would get the benefit of the 15 per cent. import duty ?

A. Yes, on that class of goods.

6401. *Q.* As against that, your stores would cost you more if the same amount of duty was imposed and that would add to your cost ?

A. Yes.

6402. *Q.* Would it be to the same extent or do you think that stores cost such a small amount that 15 per cent. would not be felt ?

A. It would not be anything like the same extent.

6403. *Mr. Rhodes.*—*Q.* You would rather have a high duty on both ?

A. I do not think a high duty is necessary. I have not urged for a higher duty than to give us some protection against the system of dumping carried on in India for many years.

6404. *President*—*Q.* We will assume that the duty on both is 15 per cent. The benefit to the manufacturers of the import duty of 15 per cent. would be reduced by the higher value that they will have to pay for stores owing to the 15 per cent. duty by say one or two or three per cent., and the balance would still remain a protection to the industry. Is it not so?

A. That is so.

6405. *Sir Montagu Webb.*—*Q.* The United States obtains from India about a third of the goat skins they require. It is estimated that India produces a third of the world's exportable surplus of goat skins and about a third of the total quantity of goat skins bought by the United States.

A. They probably want to take more than they are given now.

Witness No. 44.

MR. LILLEY.

Oral evidence, Cawnpore, the 19th December, 1921.

[*This witness did not submit a written statement.*]

6406. *President.*—*Q.* Will you please tell the Commission how long has the woollen industry in which you are interested been established?

A. It was started in 1876, *i.e.*, about 45 years ago.

6407. *Q.* Has it been fairly successful during the whole of the period?

A. There have been ups and downs.

6408. *Q.* In the present stage it is fairly successful?

A. Yes.

6409. *Q.* Do you think that the success has in any way been helped by the import duty which is imposed on manufactured wool imported into India?

A. To some extent.

6410. *Q.* Then you think the present duty of 11 per cent. is sufficient for the purpose of your industry?

A. No. I do not think so.

6411. *Q.* What do you recommend?

A. About 15 to 20 per cent. would be really necessary to help us, and put the industry on an equal footing with outside competition.

6412. *Q.* Do you get all your raw material from India or do you import any?

A. We import some.

6413. *Q.* Can you tell us what percentage of raw material you get from India and what percentage is imported?

A. That varies a great deal. It depends on the competition we have to face from Europe. The finer quality materials, such as flannel, are made from Australian wool. That is the only wool we import. We get some wool across the frontier. But the only import by sea is Australian wool, *i.e.*, the finer qualities of wool for making flannels, etc.

6414. *Q.* In getting that supply you have to meet with competition from the European manufacturing countries?

A. Yes.

6415. *Q.* Do you find your market in India?

A. Almost entirely.

6416. *Q.* Given the higher rate of duty that you advocate, do you think the industry would in course of time stand on its own legs without Protection?

A. I am afraid not. It might eventually stand on its own. But my own opinion is that it would not entirely. Unless the artisans of this country develop the same skill that they do abroad, I do not see how it can stand on its own legs.

6417. *Q.* Then the industry is handicapped by want of skilled labour?

A. Efficient labour.

6418. *Q.* Are there no means of training labour to reach a sufficient degree of efficiency?

A. I do not know, but I hope it will be possible. The United Provinces Government is putting up a Technological Institute in Cawnpore with this object.

6419. *Q.* The real reason why I am asking this question is that we are very interested in knowing what industries receiving help for some period could ultimately be self-supporting and need no support from protective duties. Do you think that the woollen industry is in that category?

A. I think chances are only fair.

6420. *Sir Logie Watson.*—*Q.* I will just explain to you how the boot factory and the woollen factory are handicapped compared with the home manufacturers. In America there is a firm which makes 79,000 pairs of boots and shoes a day, and within the next year or two they hope to make 120,000 pairs a day. They make four qualities and four sizes only. With the enormous quantity manufactured, their incidental charges are practically *nil*. In India we are making 2,000 pairs of boots and shoes a day. We make 30 to 40 different qualities. Consequently the cost of production is very different to what it is in a factory that turns out an enormous quantity. During the war we were making 5,500 pairs of boots, and only 3 qualities. Our incidental charges came to a third of what they were during the pre-war period. The same applies exactly to woollen goods.

6421. *Q.* Even then, if by Protection or other help, the industry could be established on a footing which would enable you to make very large quantities, the immediate question would arise as to whether you can sell all that in India?

Mr. Lilley.—*A.* That is what I was thinking of.

6421*a*. *Q.* I would very much like to know what is the capacity of the Indian market in connection with boots and shoes and woollen goods.

A. Take our industry in particular. We have to meet a demand for every class of woollen and worsted material. We cannot specialise in anything. For instance in England you have one concern for weaving only, one concern for dyeing only, one concern for finishing only. They are specialists. Naturally when there is specialization, they get the cost down to a very fine point. We have to do everything, our own dyeing, weaving, knitting, etc.

6422. *Q.* Is that because of the limit of demand or the limit of manufacturing capacity?

A. The limit of demand.

6423. *Q.* Supposing your manufacturing capacity was raised and you were able to produce such large quantities as Sir Logie Watson has pointed out, you would not find an easy market in India?

A. No.

6424. *Q.* You don't think that the market for these articles is a growing one in India?

A. It is growing, but not to that extent.

6425. *Sir Maneckjee Dadabhoy.*—*Q.* You represent the Cawnpore Woollen Mills?

A. Yes.

6426. *Q.* Where do you get your raw materials from?

A. We get, as I said, Australian wool for better quality fabrics, and we get other wool in India and from Tibet.

6427. *Q.* Do you get any from Baluchistan and Persia?

A. We have had some, but they are not regular markets.

6428. *Q.* How does Australian wool compete with wool which you get from Tibet and other places?

A. There is no comparison. They are different things altogether.

6429. *Q.* Which outside places are your big competitors?

A. Just at present there is no serious outside competition due to the shipping and exchange difficulty.

6430. *Q.* I am referring to normal times.

A. Germany, the Continent and England are our competitors.

6431. *Q.* You are distinctly of opinion that the present duty is insufficient to protect your woollen industry and that it ought to be raised to 15 or 20 per cent.

A. No, from 11 per cent. to 15 or 20 per cent. 15 would just be about sufficient.

6432. *Q.* If it is given for some period will it put the industry completely on its legs as far as competition is concerned, or should it be permanent?

A. I think it might eventually be reduced, but I do not think that you could take it off entirely. We will require some Protection always.

6433. *Q.* These imports from foreign countries are in fine qualities or coarse ones?

A. They are all fine.

6434. *Q.* All?

A. Probably the greater portion of the imports will be in the finer qualities. We confine ourselves to making low qualities with Indian wools.

6435. *Q.* You make low qualities?

A. We make fine qualities with Australian wool, and low qualities with Indian wool.

6436. *Q.* What is the percentage of your production of the finer qualities as compared with the coarser qualities?

A. If you take the quantity that is made out of the Indian wool, it is between 80 and 85 per cent., as compared with 20 or 15 per cent., Australian wool.

6437. *Q.* So you deal largely in Indian wool?

A. Mostly.

6438. *Mr. Mant.*—*Q.* I understand that you have more competition in the finer than the coarser cloths?

A. Yes.

6439. *Q.* Do you want equal protection for both?

A. Yes.

6440. *Q.* Can you tell me what classes mainly consume your cloth? Are they well-to-do people or people of the ordinary class?

A. The middle classes.

6441. *Q.* When you want a permanent duty you are really putting a permanent tax on the middle class to support your industry. That is what it really comes to?

A. You can put it that way if you please.

6442. *Mr. Rhodes.*—*Q.* Would you be helped by any material increase in the customs duty on imported woollen goods and if accompanied by the same increase in the duties on the imports of stores that you use. It is no use helping you one way and putting you at a disadvantage the other way.

A. I do not know. Our stores would not mount up to so much as they would in boot manufacture.

6443. *Q.* Including machinery and the cost of stores?

A. Yes.

6444. *Q.* Really higher duties on both would help you?

A. If I were given the choice I should say "Yes."

6445. *Q.* You have been able to carry on and you are growing still. On the face of it can you make out a case for more Protection?

A. I think it is self-evident. There are only about 3 or 4 woollen mills in India. We have had more or less the monopoly in India. There has been nobody else to compete.

6446. *Q.* If you had more mills you would be turning out more goods?

A. There could not be any more mills under existing conditions.

6447. *Q.* Mass production would undoubtedly cheapen your cost. Don't you think it possible that by such reduction of costs you will be able to develop your export trade in woollen materials?

A. I don't think India can compete in the export trade.

6448 *Q.* Situated in Cawnpore you are at a disadvantage as regards the export trade and at an advantage as regards the internal trade.

A. Yes. We do a big retail trade.

6449. *Q.* As regards the cost of carriage you will be immediately hit by the high railway freights.

A. Yes.

6450. *Mr. Coyajee.*—*Q.* On what grounds do you base the demand for a 15 per cent. duty? Have you arrived at it by comparing the cost of production?

A. During the war we were confined to some half a dozen different lines, and we did these by what you might call mass production. We confined ourselves to a very few lines against something like 250 different lines in pre-war days.

6451. *Q.* What percentage of your cost was reduced during war time by mass production?

A. I should say about 18 to 20 per cent.

6452. *Q.* You think an extra 4 per cent. import duty would balance the advantage which you have lost?

A. I think it would be sufficient to enable us to compete. Personally I would have a 25 per cent. duty.

6453. *Q.* May I ask you what proportion of the total Indian demand the local industry satisfies compared to the annual imports. What is your outturn?

A. Before the war it was a very small proportion, perhaps about 5 per cent.

6454. *Q.* Now it is undoubtedly larger?

A. Yes.

6455. *Q.* Could you enlighten us about the natural protection which you enjoy, what proportion of the import price is due to the cost of transportation of foreign goods here?

A. About 2 to 2½ per cent.

6456. *Sir Montagu Webb.*—*Q.* I understood you to say that you did not think it would be possible to develop an export trade in woollen goods in India. I take it that the climatic conditions in this country are such that the development of the home trade must of necessity be limited.

A. Yes.

6457. *Q.* Do you think that in these circumstances on export duty on raw wool will help you?

A. I don't think so.

6458. *Q.* You work up all the wool available in this country?

A. We have not gone so far. We might be able to do so eventually.

6459. *Q.* You are not at present using the whole wool available?

A. No.

6460. *Q.* You do not think the export duty would be of much help?

A. No.

6461. *Q.* What about the import duty?

A. 15 per cent, possibly 20 per cent. on manufactured materials.

6462. *Sir Edgar Holberton.*—*Q.* Would it be a serious proposition in a business like yours to divert yourselves from 250 lines and to confine yourselves to say 10 lines?

A. Probably the Commission do not realise that we have built ourselves up on the retail trade. I think very few concerns outside India have any experience of it. There is no facility for marketing here as there is in foreign countries. We have got to run a retail business as well as wholesale. If a man wants a blanket or a pair of socks he can get them, or 10,000 of them from us.

6463. *Q.* You said you were on a strong footing by reducing yourself to 4 or 10 lines?

A. We do not think there is enough demand to make it worth while to run a factory on these lines in normal times.

6464. *Q.* Is that on account of the quality of the wool?

A. That is one reason.

6465. *Q.* It seems to me that if you have an industry like yours in India—at the present moment you have no serious competition and it is a thoroughly outstanding business—people may not be willing to protect it with so much duty.

A. You won't protect the industry when we get back to normal conditions. I do not consider the present time at all as normal. There are no imports worth speaking about.

6466. *Q.* You think the present condition is temporary only?

A. I think it is absolutely temporary.

6467. *Q.* You said in answer to one of the questions that at the present moment there is no serious competition. You mean that it is purely temporary?

A. I do.

6468. *Q.* On this competition which you fear you base your claim for Protection?

A. Yes.

6469. *Sir Logie Watson.*—If any duties are imposed will they apply to the stores purchased by Government?

President.—That is a matter which is under consideration. Our attention has been drawn to it. If you have any views we would like to have them.

Sir Logie Watson.—When Government import stores they get the privileges of shipping and railway freights and they get them free of duty. If we can produce a commodity at Rs. 5 they say "we produce it at Rs. 4."

6470. *Sir Maneckjee Dadabhoy.*—*Q.* In other words you want Government also to pay import duties?

A. Certainly.

6471. *Mr. Rhodes.*—*Q.* In that case is it not transferring money from one pocket to another?

A. It is taking it rather out of my pocket.

6472. *Q.* But if Government do pay duty to whom will they pay?

A. I do not want them to pay duty. I mean to say for purposes of costing.

6473. *Q.* Don't you think that it is really better that Government do not import but buy from the local importers?

A. There are many things which Government will have to import.

6474. *Q.* The local importer will get it for them?

A. In that case you get over my point. You ensure that the duty shall have been paid. But I cannot conceive that. There are many things which Government have to buy from foreign countries. They could not go to the local importer for them.

6475. *Q.* Don't you think that the idea of buying from the local importer should be encouraged more for that reason?

A. Yes. I quite agree.

6476. *Sir Maneckjee Dadabhoy.*—*Q.* If Government goes to the local importer to buy, Government will pay the middleman's profits as well in addition to the importer's profits?

A. Yes.

Witness No. 45.

Extract from a statement submitted by Mr. V. N. MEHTA, I.C.S., Director of Industries, United Provinces, to the United Provinces Government, dated the 4th December 1921.

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No. 3.

6477. *Q.* 3. [66—69.] Agricultural hardware I would not keep free. I would assess a duty of 10 per cent. It is high time that we manufactured these articles ourselves. America is the supplier of a considerable amount of these agricultural machineries. We hope with our fast growing engineering workshops to cope with the local demand, provided some protection is afforded in the initial stages. The same thing applies to article No. 35, water lifts. They should not come free.

[*104.*] I am urging that books might pay some duty. Books coming from Europe and America are purchased by those who can afford to pay substantial prices. I would levy, for the sake of revenue only, a duty of 7½ per cent. on books.

Raw silk ought not to pay any duty at all. At present it is paying 11 per cent. duty. We want to see established in this country a silk weaving industry. Therefore, the raw material should come in free.

Manures are admitted free. These are chemical manures. With plenty of bone material available in this country, and with every prospect of the industry of heavy acids developing in the near future, there is no reason why we should not be able to manufacture chemical manures in this country. Under these circumstances, I would not import manures free. They should pay 11 per cent. duty. There should be a lowering of the duty on tyres for the bicycle—that has come to be the poor man's friend. I propose reduction from 20 to 10—while cushion tyres for carriages should pay 20 per cent. duty. Raw materials like sulphur should be relegated to 2½ per cent. duty class and not taxed at the value of 11 per cent. when as a matter of fact chemical manures come in free.

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6478. *Q.* 9. (i) If there is a well-established industry employing a large number of workers and depending on a large amount of capital already sunk which is threatened by the import of cheap foreign material of the same kind or a substitute, I would not hesitate to raise a tariff wall against it provided I feel that the entrepreneurs are sufficiently alive to their interest and will bring about, within a specified period of time, such a reorganisation of industry as to be able to put the finished article on the market at a price which would be equal to the price of the article kept out. But if I feel that the keeping out of the article would not be possible permanently and that there will be little possibility of the industry reorganising itself on lines so as to be able to place the finished products cheaper on the market in that case I would allow the levying of an import duty for such length of time only as would enable the companies to wind up their concerns and replace them by other industries. I am not prepared to tax the consumer permanently unless and until the industry comes within the category of what I have described below as the key industry class.

(ii) If an industry is just struggling into being and the seedling is sprouting forth vigorously on account of the existence of certain adventitious protection, I would hesitate to take down that protection before the seedling had grown and able to weather the storm of foreign competition. We have got two classic instances, the birth of industries in the United Kingdom, during the Great War, and the appearance of new industries in United States of America, at the time of the Civil War. In the case of the former, certain articles could not come from Austria and Germany and an elaborate machinery was put down to replace those articles. In the latter case, the imposition of heavy customs duty for revenue purposes only to feed the war, acted as an indirect stimulus to local manufactures. In either case there has been a clamour that no fresh air should be let in, otherwise the hot-house growths that have been nurtured into being would perish by the rude touch of outside air. This has been the case in India also. The five years of war, the compulsory deprivation of foreign products that the war entailed, have brought into existence a number of industries which may require temporary help. I may mention here those cases in which the country has natural resources of raw materials, trained skill, and capitalistic enterprise. There is no reason why temporary protection should not be given so that all these elements may combine and put forth a new synthesis.

(iii) I would maintain that for certain key industries absolute protection is necessary, but in these cases the definition would be very strictly construed and the Government should either be the entrepreneur, or the monopolist who is helped on to his feet must enter into an agreement with Government about regulation of prices, etc., for the benefit of the consumer.

To sum up :—

1. Where I see the co-existence of abundant raw material, trained skill, capitalistic enterprise and feel that temporary protection is needed to build up an industry, I would manipulate the tariff accordingly :- *Incubation analogy.*
2. Where an industry has been just started on its feet and the imports coming in from more organised countries are being dumped down to kill the baby-industry. I would manipulate the tariff provided I feel that ultimately when the transition from infancy to adolescence is over the price would not be higher than the price of the article in outside markets. *Analogy of the porcupine throwing out its quills to protect its young ones.*
3. In order to build up a key-industry :

This is on the basis of self-defence only and not the outcome of any doctrinaire notions of State as power or self-sufficiency of State.

I would not primarily frame my tariff for fostering Indian industries by Protection except under the peculiar circumstances quoted above.

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6479. *Q.* 12. This will, as I have already noted above, depend on the nature of the industry, the time and the circumstances. It is dangerous to play the prophet and yet there are certain industries whose selection for Protection will not be difficult. I name a few as follows :—

1. Gold and silver thread.
2. Brushes and brooms.
3. Cutlery.
4. Glass bangles, beads and other articles like plate and sheet glass.
5. Hardware.
6. Leather.
7. Paper and paste board.
8. Yarns of 40 counts and above.
9. Matches.
10. Rubber.

A duty on soda compounds, and a duty on paints and varnishes.

Export duty on oil seeds, cotton, raw silk, raw hides and skins, raw wool, raw rubber and materials for brushes. Detailed notes are given below :—

* * * * * *

Paper pulp. Raw imports for the three years, 1918-19, 1919-20, and 1920-21 are (in lakhs of rupees) 272, 234,

and 730 worth of paper and pasteboard. The total production in Indian paper mills for 1918 was worth 211 lakhs, *i.e.*, we were manufacturing approximately a little less than ⅓rd of our total imports. Raitt has calculated that there is enough raw material in the shape of bamboos, sabai grass, savannah grass and other fibres to manufacture sufficient paper pulp to turn out paper to meet India's requirements. We are importing a lot of paper pulp from the Scandinavian countries and with a high rate of freight the seaports of Bombay. and Calcutta find it cheaper to import for their Mills paper pulp from abroad than to import by rail paper pulp from up-country stations. If the import of paper be stopped, there will be a great development in the paper industry in this country, and, in that case, if we are likely to be flooded by cheap paper pulp, generally ground-wood pulp from abroad, we can levy a duty against import of paper pulp also. With the growth in education the demand for paper would multiply in geometrical proportion. Here there is raw material, here there is a demand and the nine paper mills that are in existence point to the possibility of paper being made in this country. With all these circumstances in our favour, we must not hesitate to protect our manufactures.

Rubber. We are exporting raw materials for making rubber articles. In 1920-21 we exported Rs. 155 lakhs worth of raw rubber materials. The export trade has been practically confined to Madras and Bombay. We imported rubber manufactures to the extent of 252 lakhs of rupees. There is no reason why gradually we cannot build up the simpler kind of rubber manufactures in this country. And for this period of probation Protection is necessary as against imports of manufactured goods and an export duty on raw materials. The import need not be prohibitive in the beginning. Instead of most of these materials being taxed at the rate of 20 per cent. *ad valorem* the duty may be raised to 30 per cent. on articles of simple manufacture; thus increasing their price and making it possible for the local manufactures to establish themselves. We shall manufacture cushion tyres and articles of solid rubber. Pneumatic tyres and tubes would follow.

Oils. We want a duty on the export of oil seeds so as to encourage their retention in this country and their utilisation for the manufacture of oils. As we import very little from abroad, I do not propose to levy any duty on oils more than the existing duty, but so far as soaps and paints and varnishes go, where oil is the chief ingredient, we require protective duty. Now, the figures of the export of oil seeds for the three years 1918-19, 1919-20, and 1920-21 are Rs. 1,121 lakhs, Rs. 2,626 lakhs, and Rs. 1,683 lakhs. It is necessary not to levy a very heavy duty on export because thereby there is the danger of our disturbing the balance of trade because it should not be forgotten that our oil seeds form a substantial portion of our total exports. The continental countries that take our oil seeds are principally Italy, Belgium, France, Germany, and the United States of America with the United Kingdom coming at the top. No import duty is levied on our oil seeds but * * * very heavy import duties are levied on the import of oils in the United States, in France, Germany and Italy. Belgium is the only country that takes our in substantial quantities without levying any import duty.

We have another difficulty to conquer. Freights for the transport of oil are disproportionately higher than for the transport of seeds. With these handicaps it is difficult for us to export oils unless we build up big manufactures in this country and not only should we have manufactures dotted over the whole of India but we should organise refineries at seaports like Bombay and Calcutta so that only standardised oils may be exported and we may be able to quote the prices of standardised oils only. For this purpose we require Protection. They will have some effect in checking the imports of oils, paints, and soaps. Soaps for the year 1919-20 were imported of the value of Rs. 140 lakhs and be it noted that imports are mounting up every year being Rs. 100 lakhs in 1918 and 122 lakhs in 1919.

* It is usual to count half the quantity of soap imported as pure oil. Then there are candles, oil cloth, paints and colours and sundries in which shape a lot of oil is being imported in this country. A substantial duty has to be levied on these imports in order to encourage oil industry during the period of its infancy so that the transition from the period of infancy to adolescence may be brought about without any financial loss.

Cotton. I am entirely opposed to any import duty on cotton cloth in order to encourage the local industry. Free trade has not been found in the past to be quite unsuitable for the building up of this industry on organised lines. Whatever the handicaps in the past, free trade is expected not to have a deterrent effect on the growth of this industry on organised lines. It is urged, however, that we are sending out an enormous quantity of short staple cotton to Japan and thus help Japan to compete with us in the neutral market of China with its yarns of lower counts. The Cotton Committee also found that this very short staple cotton was imported by Germany to be converted into yarn for making hosiery and re-imported into this country as under-vests used by our middle and lower-middle classes. There is no reason whatsoever why we should not utilise this cotton ourselves. We have one distinctive advantage over Japan. It is well known that 20 per cent. in every bale is not available for spinning purposes being the refraction co-efficient. Japan pays freight on one-fifth of the quantity in each bale without deriving any benefit out of it. Then for China we pay freight only from here to China on yarn only. Japan pays freight on cotton from here to Japan and freight on yarn from Japan to China. There is no reason why we should not be able to export more of yarn to China and other countries of Asia than we do now. Let us look into the existing figures.

It has been remarked that of the total production in India of cotton about 50 per cent. is exported, 25 per cent. goes in the form of yarn and 25 per cent. is locally sold for the purpose of weaving cloth which satisfies normally only 35 to 40 per cent. of the local normal requirements of manufactured cloth. The total production of cotton in India according to the Cotton Committee report has been 2,250,000,000 lbs. The proportion in quantity of cotton exported to cotton grown in India is 83 : 225 (in 1920-21).

The share that Japan gets of the total export is about 50 per cent. The export of yarn from India to China is in value worth 7 crores out of an aggregate of 10 crores of our exports of yarn. It is clear that if an export duty is put on raw cotton we shall be able to export more of yarn to neutral markets than now. The total amount of hosiery that we import is 190 lakhs. We can utilise our own short staple cotton for the manufacture of yarn required for hosiery and this would be facilitated if there was an export duty on cotton.

We take up now the other question of protection of the industry of manufacturing yarn of higher counts than 40s. and above. Some time ago there was a movement for the protection of smaller counts only, but as the discussion in the Imperial Councils made it clear to every one, nobody sympathised with this move on the part of the spinners. Now the object in protecting this industry is clearly this. India has got, as the Cotton Committee's report has made it thoroughly clear, in the Canal colonies of the Punjab and Sindh with its contemplated scheme of perennial irrigation, countries where the long staple cotton would grow. Then we could by means of the humidifying apparatus bring about the requisite amount of moisture in the atmosphere to enable higher counts to be spun. (Humidifiers may be so arranged as to concentrate the humidification at the place required.) There is nothing inherently antagonistic in the climate of the main centres of our cotton spinning industry to render the establishment of the spinning of some counts higher than 40 an insuperable difficulty. The figures of imports of local manufacture of counts higher than 40 are given below :

(The figure in the numerator is that of local manufacture and the figure in the denominator is the import figure).

(*In lakhs of rupees.*)

1917-18.	1918-19.	1919-20.
55	45	35
83	197	152

It will be argued that the manufacturer of cloth in which higher counts figure will suffer in competition with his rival in a neutral foreign market because he would be compelled to pay a higher price not only for the imported yarn but also for the locally manufactured yarn used in weaving his cloth. This difficulty could easily be overcome, so far as our exports go, by giving a rebate to the full extent of the duty as happens in Germany, or to the extent of 99 per cent. on duty as happens in the United States of America. We shall have to tax along with the yarn of higher counts than 40s all cloth in which foreign yarn of higher counts than 40s figures. As a net result there is likelihood of a fall in the price of cotton on account of the difficulties of its being exported abroad. But readjustment will soon follow the increase in the absorption of local consumption by the spinning mills. As soon as our industry is established, we would not hesitate to put a countervailing excise duty on local manufactures in which higher counts than 40 figure, for I, for one, would not like the interests of the permanent consumer to be permanently sacrificed.

Wool. At present we are exporting Rs. 225 lakhs worth of raw wool. It is well-known that Indian wool is graded very low and it is mostly absorbed in the United Kingdom and we get the same back here in the shape of rugs, rough cloth, etc. The total imports of our woollen stuff is Rs. 559 lakhs. I think if a duty on wool were put we would be able to retain our own wool and manufacture the articles which we require locally. I would not put any duty more than what is at present levied on our woollen imports. There are few organised manufacturing companies in India and until the industry is widely extended the consumer's interests will be sacrificed by a levy of duty on imports of woollen stuff.

Silk. I have already recommended in my notes under Question 3 that raw silk should be put on the free duty list, because we want to encourage the imports of silk yarn. The export of raw silk has been as follows:

(*In lakhs of rupees.*)

1918-19.	1919-20.	1920-21.
65	41	35

Total import of silken goods was Rs. 410 lakhs in 1920-21. We have no desire to put a duty on the import of silk manufactures, because of the disproportion between the aggregate of our raw materials and the aggregate of our imports of finished articles but we certainly would not like to lose our raw materials. I, therefore, advocate a duty on exports.

Gold and silver thread. The aggregate amount of gold and silver thread and lametta for the three years imported was as follows (in lakhs of rupees):—

41	81	83

The industry of wire drawing is being ruined in the various provinces of India by the fact that gold wire is being imported freely from Germany and France. We want to stop imports from Lyons and give an opportunity to local manufacturers to bring about a transformation in the methods of the manufacture of the thread and its subsequent colouring. The present duty is 20 per cent. I would make it 50 per cent.

Brushes and Brooms. We are exporting raw materials which can well be utilised in the manufacture of brushes and brooms in this country. Our forests have got raw materials in abundance. Protection is necessary in order to make India not only a self-sufficient but even an exporting country for a majority of articles coming under this head. The figures of exports are comparatively insignificant, being about Rs. 11 lakhs in 1920-21 and Rs. 40 lakhs in 1919-20, but we know as a matter of fact that our raw material could be indefinitely increased. The total quantity of our imports under this head is Rs. 17 lakhs.

Cutlery: Hardware. We want higher duty both for increasing our revenue as well as for securing protection. The figures of hardware are for the three years (in lakhs of rupees).

320	436	908

50 per cent. of this comes from the United Kingdom and 25 per cent. from America. I do not see why our engineering workshops cannot now turn out simple lifts, oil and sugar mills, pumps, etc., which mostly come at present from America. I also do not see why we cannot manufacture simple implements for our agriculture. It may appear a little heretical and unorthodox to recommend a duty on machinery but I think that it is high time that we set about thinking as to the best method of manufacturing simple machinery required for our every day use. I recommend this duty simply for the transitional period to serve as, to use a German expression, Erziehungszolle (probation toll).

Leather. The existing export duty on the export of hides and skins should be stereotyped and given a higher pitch. This would tend to the substitution of leather in the place of hides and skins so far as exports go. * * * * no country is willing to take our leather free of duty though they would take raw hides free of duty. But * * * * this is the one weapon we have to serve as a basis of negotiating if we want foreign countries to reduce their duties. I would therefore pitch the export duties a little higher, and arrange with foreign countries by negotiation for their larger absorption of our hides and skins after they have been tanned and dressed and not in their raw state. Our figures for the export of raw hides and skins for the three years are as follows (In lakhs of rupees):—

	1918-19	1919-20	1920-21.
	934	2,340	524
and	970	1,271	330

We can certainly increase our exports of tanned cow hides, tanned buffalo hides and tanned goat-skins.

Matches. The "Pioneer" some time ago complained in its leaderette that it was high time that we did something and brought about the manufacture of matches locally and not suffer any more the tyranny of the Japanese manufacturer. Our imports of matches for the year 1920-21 amounted in value to Rs. 167 lakhs and in 1919-20 to 204·83. Japan's share in the latter year was 187·34. We have got in this country raw material for splinters as well as material for the box. The chemicals required are phosphorus, potash, some gum and paper. I think if we allow to any manufacturing concern a rebate on the duty paid on chemicals and double our existing duty which is pretty heavy on matches we shall be able to build up a match industry in this country.

Glass Bangles and Glass Beads, etc. The next industry is that of our glass bangles and glass beads. At present they pay 20 per cent. duty. The industry of bangles has been in existence in this country and on making enquiries and consulting the glass manufacturers, I found that the manufacture of glass beads would not be a difficult matter. In the completed year we exported bangles worth Rs. 96 lakhs and 45 lakhs worth of beads. I think we should double the duty at least, if not make it 50 per cent. The glass bangle industry of Firozabad is a very ancient one. As sheet and plate glass industries come to be established we should protect the nascent industries during the period of transition.

Alkalis. Then there is the more important industry of the manufacture of alkalis. In India we have got vast areas of the soil called *Kallar* in the Punjab and *Reh* in the United Provinces. They are full of carbonate of soda and sulphate of soda. We are importing at present soda compounds worth Rs. 93 lakhs in 1920-21. This industry has to be developed in India if we want to make our glass and soap industry a success. The raw material is there; primitive methods of extraction are there; only the work of refinement has to be brought to up-to-date lines and for the transitional period to keep back the inroads of Brunner Mond and the Magadi Protection would be necessary.

Sugar. Duty on sugar to protect industry has been recommended but when one realises the duty that sugar pays—15 per cent.—and also the transport charges by rail one feels that sugar enjoys nearly 30 per

cent. protection if it is manufactured away from seaports. Moreover as long as the demand for *Gur* remains unsatisfied it is no use protecting sugar till there has been a wide extension of the sugar manufacturing industry on modern lines; otherwise the danger is that the consumer will pay high price and few manufacturers will net in a big profit.

The words of Cromwell ring true even now "To make many poor and thereby to make few rich—that suits not a Commonwealth."

Oral evidence, Cawnpore, the 19th December 1921.

6480. *President.*—*Q.* You are the Director of Industries, United Provinces?

A. Yes.

6481. *Q.* How long have you been Director?

A. About 11 months.

6482. *Q.* You say "Raw silk ought not to pay any duty at all. At present it is paying 11 per cent duty." You desire to import raw silk free because you wish to establish a silk weaving industry here?

A. Yes.

6483. *Q.* Your view is that raw materials needed for purposes of manufacture in India should all be imported free?

A. Yes.

6484. *Q.* I thought that there was some form of silk weaving industry existing on a large scale in the various parts of India.

A. There is. But they get most of their yarn from Italy, Japan or China. They don't use very much raw silk, but we want to encourage the retention of raw silk in order that it may be spun here.

6485. *Q.* Is there any supply of raw silk indigenous to India?

A. Very little except from Kashmir, most of which goes to France, and from Eastern Bengal and Assam side.

6486. *Q.* I should like to know a little more than what you have said just now about the raw silk produced in Kashmir going to France. How do you explain that?

A. In Kashmir a weaving factory had been started. But there are not sufficient opportunities and facilities for spinning and manufacture. The villagers have not taken to spinning. The silk produced is mostly sent to France for manufacture there and then gets back as finished product.

6487. *Q.* How do you explain that? The cost of transport from France must be prohibitive. Why have they not taken up the raw material for manufacture and established a silk weaving industry in India?

A. Possibly lack of enterprise. Moreover, Kashmir silk is always more costly than the Chinese or Japanese silk. If a duty is put on the finished product coming from China or Japan, then we would be able to manufacture our own silk in this country. We would be able to supply this to the ordinary consumer at a lower price than the finished imported article, and it would be worth while for the capitalist to invest his money in the manufacture in this country.

6488. *Q.* What I want to know is why, when there is such a big demand for silk goods in India, the raw silk produced in Kashmir should not be manufactured here but should go all the way to France and come back in a manufactured condition. If you have any knowledge of it we should be interested to learn.

A. I happened to be in Kashmir. I know some people there who are in charge of factories. They have not attached power looms in the weaving factories. They told me that skilled direction in Kashmir was wanting, that capital was very shy because there was no Company Law in Kashmir and therefore nobody was willing to start any concern in Kashmir itself. Outside Kashmir the railway freight is very heavy for the finished product. Proportionately the through rates from Kashmir to the ports are easier than the rates from Kashmir to the ordinary manufacturing centres in India.

6489. *Q.* Railway policy, in your opinion, has directly encouraged the export of raw materials to European countries as against the establishment of local manufacturing industries?

A. This is my opinion, Sir.

6490. *Q.* You say in the next paragraph that there is every prospect of the industry of heavy acids developing in the near future. I would like to know on what grounds you base that expectation.

A. In my capacity as Director of Industries I came across certain data which led me to this conclusion. The data are as follows. I think there is some idea of utilising the existing works at Jamshedpur for smelting a lot of ores obtainable from Burma, and as a by-product they will get a lot of sulphuric acid. Secondly pyrites are obtainable on Kutch side. They are being utilised on a big scale in a certain concern started in Delhi and they hope to get sulphuric acid out of them as a by-product. Thirdly, there is the local concern of Messrs. Waldie and Co. I have seen Mr. Watson of Messrs. Waldie and Co., and he thinks that we have every prospect of being able to manufacture sulphuric acid in this country in a short time. That is why I would like all raw produce to come in duty free. At present the acid comes in at 3½ per cent., while the raw material from which it is manufactured pays 11 per cent. duty.

6491. *Q.* You advocate the reduction from 20 to 10 per cent. of the duty on tyres for bicycles. You recommend this purely for cheapening the price and for transport facilities and not because you think there is any prospect of the tyre industry being set up in India?

A. Not immediately. I only wish to make it cheap.

6492. *Q.* Are there any prospects of establishing the manufacture of bicycle tyres in India? Will the duty help?

A. I think so. In the beginning one or two concerns will be established. They will probably tackle solid rubber manufacture and cushion tyre manufacture rather than pneumatic tyre manufacture. Therefore for the time being I have recommended the reduction of the duty in order to cheapen it. The bicycle has come to be the poor man's friend.

6493. *Q.* You say "The 5 years of war, the compulsory deprivation of foreign products that the war entailed, have brought into existence a number of industries which may require temporary help." Have you got any specific industries in mind which have been brought into existence and which are likely or require to be encouraged here?

A. I would give the instance of the manufacture of alkalis and tinctures and drugs. We were deprived of all articles in this direction. We have started doing something in that direction, extracts of thymol and things of that sort. I merely make a sort of general statement. In the United Provinces to my knowledge we have not been able to start any particular industry.

6494. *Q.* I know there were a large number of industries which were started, but what I want to know is whether you have any specific industries in mind.

A. Beyond these that I have mentioned I have no particular industries in my mind.

6495. *Q.* In your answer to Question No. 12 you say "there are certain industries whose selection for Protection will not be difficult." As regards gold and silver thread you suggest that the duty on imported thread should be raised from 20 to 50 per cent.

A. Yes.

6496. *Q.* You say "The industry of wire drawing is being ruined in the various provinces of India by the fact that gold wire is being imported freely from Germany and France."

A. Yes.

6497. *Q.* You want to stop imports from Lyons and give an opportunity to local manufacturers to bring about a transformation in the methods of manufacture of the thread and its subsequent colouring. How do you expect to get this process through?

A. I may explain in this connection that I happened to have certain opportunities of making enquiries. The

Government of India asked me to write a monograph on the gold and silver thread industry. I was working at it for the last 8 months. I found that Surat and Benares are the two big places where wire drawing was actually carried on according to the old method. The gold plating of silver was very excellent, but the process was very laborious. The stuff which is prepared here is more costly than the stuff which comes from Nuremburg or from Lyons. In India they do not actually gild the silver. They put a thin leaf of gold on it, and the cost is very prohibitive. They are doing it in Benares, Surat and Madras. If we instal regular wire drawing machinery of the type which we find in France and if we introduce machinery by which they can continuously draw wire and take it through different chemical baths to gild it, then we will make it cheaper. In Perambur, Benares and Surat there is a factory working. From my enquiries I find that they will not be able to stand on their legs satisfactorily unless you put a substantial duty on articles coming from Lyons. We want our manufacturers to adopt foreign methods, and in the transition period we want assistance to be given to them by means of the tariff.

6498. *Q.* Here we have a 20 per cent. duty on an article which could be easily manufactured in India by private enterprise. You have got the demand for all that is manufactured on this spot. I fail to see why 20 per cent. is not adequate.

A. I have looked into the figures of imports. The imports were practically at a standstill at one time. The present imports are enormous, and the industries in Surat, Delhi, etc., have been absolutely ruined. What they now go in for is the manufacture of a very superior kind of stuff for Maharajahs and zemindars. All the middle class men go in for the foreign stuff, which is cheap. I want these men to take to modern methods, and for the transitional stage I want to protect them.

6499. *Q.* I have not got an answer to the question that has troubled me. I can understand the giving of Protection to a power industry which has been established and finds itself in its infancy unable to compete with well-developed foreign industries, but I cannot understand your demand for protection for starting the industry. If people have introduced power machinery for the purpose of manufacturing this article and find that they cannot compete and ask for more protection I can understand that. The facts available at present indicate that if private enterprise engaged itself in this trade, perhaps the 20 per cent. would be adequate.

A. It would be adequate 10 years hence, but in the struggling state of the industry I do not think it will be adequate. I want it only for the baby before it reaches its adolesence.

6500. *Q.* Your baby is unborn.

A. I would call it the incubation period. There are concomitant circumstances present here, but it would require the heat to develop the embryo.

6501. *Q.* In answer to Question No. 12 you say that the industries you have enumerated could be established or supported in India by a tariff. Do you think all of them have a prospect of ultimately standing on their own legs without any support ?

A. About all of them I cannot give this opinion, but some of them will be able to stand on their own legs.

6502. *Q.* Which ?

A. I think gold and silver thread, brushes and brooms, glass bangles, paper and pasteboard industry and wood pulp industry. Of these I am certain ; the rest I cannot say. At any rate all these would give a diversity of occupation, which all district officers know is very necessary. Whenever there is famine and scarcity there is dislocation of agricultural employment and want of occupation for many. Even if we have to prop these industries permanently, I would do so to create this diversity of employment.

6503. *Q.* Surely, when you make a selection, you ought to select those industries which have a reasonable prospect of standing on their own legs, so as to relieve the consumer of the extra liabilities which would be involved in Protection. After all we should remember that these duties are more or less transferred to the consumer and it would hardly be reasonable to impose a permanent burden on the consumer simply on the ground of diversity of occupation.

A. I have selected those industries only which would prosper, because the concomitant circumstances which are required for the success of the industry are there in the country.

6504. *Q.* Then in regard to exports you recommend an export duty on oil seeds, cotton, raw silk, raw hides and skins, raw wool, raw rubber and materials for brushes. Have you considered the effect which an export duty, fairly high, would have on the people who produce these articles ?

A. Yes, Sir, I have considered that matter. These articles should be divided into agricultural and non-agricultural. So far as agricultural raw materials, oil seeds and cotton are concerned, we could definitely say that in the beginning the prices would certainly fall if we impose a substantial export duty. But there is every prospect that the cheapening of the raw material would give an incentive to manufacture the things in the country. Increased demand is sure to follow and with increased demand the prices of the raw material would again come back to the original state.

6505. *Q.* What would be the interval ? It would be several years ?

A. It would be several years.

6506. *Q.* And during that time what would be the effect on the agriculturists ?

A. If there is a fall in the price of the produce, the agriculturist would give up the cultivation of land which would not pay satisfactorily. But he will not suffer.

6507. *Q.* You say in your note on the paper pulp industry " We are importing a lot of paper pulp from the Scandinavian countries and with a high rate of freight the seaports of Bombay and Calcutta find it cheaper to import for their mills paper pulp from abroad than to import by rail paper pulp from upcountry stations." Do you mean to say that the paper mills in the ports pay less freight for their paper pulp when they get it from abroad than when they get it from the various parts of India ?

A. We have got plenty of forest areas in the United Provinces which produce *sabai* grass which is an excellent material for paper pulp, and there was a prospect of making pulp. We compared the railway freights for sending this pulp to Calcutta with the rate of steamer freight from abroad to Calcutta and we found that the railway rates were much higher than the steamer freight.

6508. *Q.* Have you got these figures ?

A. No, not here.

6509. *Sir Edgar Holberton.—Q.* There is a large amount of stuff in India out of which paper pulp can be made and manufactured into paper. Why did you select Calcutta and compare the railway rates from here to Calcutta. There are other places where your pulp can be sent to ?

A. I selected Calcutta because there is an existing paper mill there, the Titaghur Mills.

6510. *Q.* You were comparing the freight for the raw material from here to Calcutta with the freight for the paper pulp from abroad to Calcutta. I think there is no comparison there.

A. Even in the pulp condition there is a difference in the rates. In reply to the President I said that even in the pulp condition the railway freight was more than the steamer freight.

6511. *Sir Montagu Webb.—Q.* You have given some attention to the wire drawing industry and you recommend a 50 per cent. duty in order to give time for Indian manufacturers to introduce modern methods. I cannot understand why this 50 per cent. duty should induce the Indian manufacturer to introduce modern methods. I should think on the contrary that it would have the effect of making him remain satisfied with the present methods and sit for another 2,000 years drawing wires by his crude methods.

A. At present nobody would sink capital because he is afraid he would lose. An attempt was made in Madras under Sir Alfred Chatterton's advice, but it failed under the stress of competition. We want protection against the foreigners.

6512. *Q.* Do you think that you can get the wire industry developed in India ?

A. I object very strongly to the destruction of this sumptuary art in India. I want to introduce modern methods.

6513. *Q.* But would not the effect of the duty be precisely the opposite of what you think. If you get a profit out of your old methods, then you would not improve your methods. So long as there is some competition there will be some stimulus to try and see if you cannot improve them.

A. What I mean is this: here is an industry for which India was famous all over the world: this sumptuary art has been killed by the cheap thread coming from Lyons.

6514. *Q.* Would it not be proper to say that it is due to the want of Indian enterprise and skill ?

A. This thing was in very common use all over the country ; it was used for braiding from the shoes to the *pagri*.

6515. *Q.* As far as I have been able to observe hand industries have had to give way to power industries, and I do not see the object of encouraging a backward industry.

A. I want a tariff wall to be raised for the transitional period. Some people have tried modern methods in Benares and in Surat to a certain extent and they have succeeded, but sufficient capital is not flowing into this industry, because they are sure that without this duty Germany and Lyons would inundate the country with the cheap stuff and they would be ruined. As this industry is one of the specialities of India I would like to see it put on a modern basis, and for that reason for the transitional period some protection might be given.

6516. *Mr. Coyajee.*—*Q.* Your advocay of Protection is mainly confined to infant industries, key industries and industries threatened by dumping. You are not in favour of Protection for adult industries ?

A. Not very much.

6517. *Q.* And following that line of thought you have said you are entirely opposed to an import duty on cotton cloth ?

A. Yes, with the exception of higher counts.

6518. *Q.* Then coming to the paper industry you would first put an import duty on paper and later on wood pulp ?

A. That is my idea.

6519. *Q.* Because if paper mills are started in this country some of them might manufacture their own pulp ? We would start with protecting the paper and later on if we find that pulp is being made in this country, we would protect the pulp industry also ?

A. We have found by experience that by mixing the *sabai* grass pulp with wood pulp we can get good paper.

6520. *Q.* Especially as at present our paper mills are using such a large proportion of foreign pulp ?

A. Yes.

6521. *Q.* In the case of oil, you would not increase the duty on the ground that it is a raw material for soap, but you would confine your protection to soaps, paints, varnishes and so on.

A. Yes.

6522. *Q.* On oil seeds you do not propose to levy a heavy export duty because the balance of trade might be upset ?

A. My great fear is that. We have no monopoly in all the seeds, but only in Mowra and Gingelly.

6523. *Q.* You advocate Protection for soap. Now, on that subject I would draw your attention to what Sir Frederick Nicholson has said "As to bar soap Indian prices and costs do not differ from foreign prices and costs and the main requisite is improvement of quality." Under these circumstances, would you put a protective duty on bar soap ?

A. In our own province we have got two or three centres where laundry soap is manufactured. We have got plenty of Mowra oil in the United Provinces and get that oil cheap and that oil is used for making soaps. But our difficulty is as regards alkalis. Another difficulty is we have not got sufficient glycerine recovery plants. I recommend the levying of an import duty on all soaps for the transitional period during which we can set up recovery plants and manufacture our own alkalis.

6524. *Q.* But if the conditions were, as Sir Frederick Nicholson states, then Protection should be of much shorter duration ?

A. Yes.

6525. *Q.* Similarly as to toilet soaps, he says that the present duty on toilet soaps is heavy enough to give India preponderance even as regards export. Do you agree with the statement of Sir Frederick Nicholson ?

A. I do not think it is heavy enough simply because we have not got cheap alkalis and recovery plants.

6526. *Q.* And also difficulty of packing, etc.

A. Yes.

6527. *Q.* As regards Lametta, what I want to understand is how the foreigner can inundate the Indian market. May I know what prevents our people from competing ?

A. The cost of manufacture is higher here, because the manufacture is done by hand. The process is that the bar is pulled through different holes and the whole of the work is done by hand and it takes a very long time : the jerk is very discontinuous and the result is that you cannot get the same length and tenuity that you get in Germany and France.

6528. *Q.* In the case of wool you observe "There are few organised manufacturing companies in India and until the industry is widely extended the consumer's interests will be sacrificed by a levy of duty on imports of woollen stuff." Looking to that, I take it that you will use the weapon of Protection with moderation ?

A. Yes.

6529. *Q.* In the matter of matches, you admit that our existing duty is pretty heavy, and yet you would double it although it is a necessary of the poorer classes ?

A. My idea in this particular matter is this : I would call it such an essential article that from the national point of view we should be self-sufficient in its manufacture. In Ahmedabad manufacture of matches satisfactorily goes on under the protection of the duty that is levied at present. The same experiment was tried in Bareilly by Mr. C. T. Allen and Mr. Gavin Jones, but the price they had to pay for the chemicals was very heavy. If we put a heavy duty on imported matches, or give a rebate to the extent of the duty paid on the chemicals, the industry can be carried on.

6530. *Q.* Would you help them with rebates ?

A. Yes, we should help them by rebates.

6531. *Q.* Then as regards glass manufactures your proposal is that we should begin with protection to the heavier qualities, and when plate and sheet glass industries spring up, we would give protection to them ? At present we are not manufacturing sheet and plate glass ?

A. At present, one man has already put up a plant for the manufacture of sheet and plate glass. The industry does not exist at present. I would like the bangle industry to be protected from Austria and Japan.

6532. *Q.* I would ask your opinion on an important feature of some tariff programmes. To start with you tax agricultural machinery and manure ; then again the agriculturist would have to pay larger prices for imported goods, and again in the interests of protection export duties are put on. I submit that this is taxing the agriculturist at both ends. Would you not therefore advise us that so far as export duties go, we should be very careful in imposing them ?

A. I have very strongly urged that we should not increase the duty on cloth. The agriculturist has got to be freed that way. I am very much opposed to putting any duty on the export of foodstuffs, except that there should be total prohibition or a sliding scale system in case there is pronounced scarcity and it is definitely found that the amount of foodstuffs that will be available for next year's consumption is distinctly below the normal requirements of the country. As regards machinery if Engineering workshops are encouraged in the beginning by Protection during the period of the struggle and people are able to manufacture agricultural implements at practically the same price at which they come from abroad the agriculturist ultimately would not suffer.

6533. *Mr. Rhodes.*—*Q.* Do I understand you to say that you wish to abolish all duties on cotton piece-goods coming into this country ?

A. Except those which we keep on for the sake of revenue.

6534. *Q.* How do you distinguish ?

A. I would not like to levy a duty on cotton cloth simply from the point of view of Protection.

6535. *Q.* But we have a 11 per cent. duty on cotton cloth. Do you recommend that it should be taken off ?

A. No.

6536. *Q.* You recommend that it should be kept on ?

A. Yes, I consider that the article we import is not generally used by the poor people ; they generally use either hand spun or mill spun or cloth woven in this country. Therefore they would not suffer.

6537. *Q.* Now you have raised something which is now to this enquiry. You suggest a duty on imported yarn of the higher counts in order to encourage the local industry ?

A. Yes.

6538. *Q.* You foresee the difficulty that the Indian mills are now trying to work up the export trade and you therefore suggest giving a rebate on any cloth exported ?

A. Yes.

6539. *Q.* Do you contemplate that you will be charging the Indian consumer more than the foreigner would pay for Indian mill cloth ?

A. I contemplate that with perfect equanimity. People who buy articles of luxury should pay high prices.

6540. *Q.* Then for an article an Indian will have to pay more than a man in Singapore would pay for the same article ?

A. The reason is if we do not send some stuffs outside we would not be able to ensure large scale economies. If we are going to produce articles of higher counts, we must manufacture a certain quantity. That quantity would not be consumed in this country ; we have to send some of this quantity outside in order to absorb the whole quantity manufactured. If we do not send the thing outside we could only have an industry on a small scale. I therefore contemplate with equanimity the idea that the same stuff may be sold cheaper outside just as the United States did. The goods from the United States were sold cheaper in Canada than in the United States, simply because if they did not manufacture on a big scale they would not be able to sell in the United States at the prices at which they were selling. It did not matter to them if this was sold cheaper outside or not provided they carried on the manufacture on a big scale.

6541. *Q.* You mentioned to the President the case of oil seeds and said that a certain amount of land would go out of cultivation ?

A. I did not say that a certain amount of land would go out of cultivation. That particular crop would not be grown on that soil. Arguing from the law of diminishing returns, I would say that that particular land which grew that particular kind of oil seeds would not be available for the growth of oil seeds, but would be utilized for something else, growing a fodder crop or food crop.

6542. *Q.* You made three statements today which are rather difficult to understand, one to the President on that subject, another to Sir Montagu Webb on the subject of charging people fifty per cent. more for their gold thread, and the other in making the Indian pay more for Indian goods than the outsider. Is not there the danger that if we report in accordance with these three things we might ourselves find it difficult to live in India after our Report is published ?

A. I do not think so. It obtains in other countries too, United States, Germany and other protectionist countries.

6543. *Q.* It has been very much criticised ?

A. It has made Germany prosperous and I want to see India prosperous by adopting this method.

6544. *Mr. Mant.*—*Q.* Your general scheme is Protection of infant industries ?

A. Yes.

6545. *Q.* You also refer to key industries and you say that for certain industries absolute Protection is necessary. What do you mean by absolute Protection ?

A. I would levy such a duty as to prevent any imports.

6546. *Q.* Would you give me some idea of what you have in mind ?

A. I was only thinking of explosives which are required for the very existence of the country.

6547. *Q.* The term "Key industries" is sometimes used to mean primary industries on which others depend. You do not use it in that sense ?

A. I may use it for the purpose of dyes but I would not emphasise that point so much as for explosives. Dyes are very valuable for this country, because we manufacture so much textile stuff and during the war we had to pay prohibitive prices. People found it very difficult to get dyes. For stuff ordinarily sold for Rs. 300, they had to pay Rs. 4,000 to 5,000. I would consider the dye industry a key industry, but my idea at that moment was an industry which would turn out articles required for the very existence of the country.

6548. *Q.* You consider the dye industry a key industry. Would you impose prohibitive duties on the import of dyes ?

A. I would not. I think it will take a long time before India will be able to establish her dye works.

6549. *Q.* Really that absolute Protection would only apply to explosives required for military purposes ?

A. I think we should produce these explosives in this country ; for that reason if we have to produce them I would put a prohibitive duty.

6550. *Q.* I do not really want to pursue the question of explosives. I want to know how you would treat the primary industries on which others depend, such as the chemical industries. You mentioned to the President that there was a prospect of sulphuric acid being manufactured in the country. Would you treat it as an infant industry ?

A. I would treat it as an infant industry and not as a key industry in your sense.

6551. *Q.* You would give it Protection ?

A. Yes.

6552. *Q.* Even the finished products of some industries which are used as raw materials for others ?

A. I would give them Protection in the beginning.

6553. *Q.* Then you have to extend Protection to all the other industries that use their products, because you put up the cost of the other industries that use sulphuric acid as a raw material ?

A. It would happen.

6554. *Q.* If you extend it to primary industries, you would have to extend your scheme of Protection very much ?

A. Sulphuric acid would form an important element in increasing the price of the finished product.

6555. *Q.* You recommend a duty on manures already ?

A. Yes.

6556. *Q.* You have really to increase the duty by the amount that you put on sulphuric acid ?

A. Either increase it or give a rebate if there is *bonâ fide* proof that this particular thing has been used in the manufacture of the article. If we do not want to increase the price to the consumer, I am merely suggesting an alternative to give them a rebate.

6557. *Q.* Rebate on what ?

A. I would call it a bounty or some sort of help. The bone crushing industry is going to be established in Cawnpore. Suppose they manufacture super-phosphates for supplying manure required by the planters of this country or for sugarcane growing this sulphuric acid is largely required for the manufacture. As a matter of fact very much foreign sulphuric acid is not imported. If we levy a duty on foreign sulphuric acid, then in that case if we do not want the price of the finished article to rise, I would give a bounty to that particular concern to the extent of the duty they have paid on sulphuric acid.

6558. *Q.* Suppose they use the locally manufactured article ?

A. They would not be able to certify in that case.

6559. *Q.* Then you would not give a rebate ?

A. No.

6560. *Q.* How would you protect locally manufactured sulphuric acid ?

A. To the extent of preventing the cheap stuff coming from abroad.

6561. *Q.* The man who pays the duty on imported stuff can get a rebate when he uses it ?

A. Only when it is used for the manufacture of manure, etc. Sulphuric acid would be used for many other purposes. The sulphuric acid that will be manufactured in this country would not be all absorbed in the manufacture of super-phosphates.

6562. *Q.* It will all be absorbed in some industry or other. Would not all the other industries want a rebate ?

A. No. We want to make cheap manure available to the agriculturists. In case Government decides that

cheap manure is to be given to the agriculturists, then it may be given a bounty, otherwise not.

6563. *Q.* I was giving that only as an instance of the effect of your protective duties on these primary industries, which are the basis of many other industries, many of which you want to protect. Will you give a rebate to all those industries ?

A. I would not give a rebate to all. I mentioned this because I understood that you wanted prices to be cheap for agriculturists.

6564. *Q.* Take another industry, Steel, of which I understand that sulphuric acid is a raw material. We have had demands to protect the steel industry. Would you give a rebate on sulphuric acid used in the manufacture of steel ?

A. The increase in the cost of manufacture of steel on account of the price of sulphuric acid would be very small.

6565. *Q.* You would not give a rebate ?

A. No.

6566. *Q.* It is very difficult to understand when you will give a rebate and when you will not ?

A. I am not in favour of giving rebates in general. I thought from your question that you wanted to give manure cheap to the people.

6567. *Q.* I only use manure as an instance of an industry which it is desirable to protect.

A. We must face this consequence.

6568. *Q.* Then taking the soap industry, many chemicals are used in the manufacture of soap. If you put a duty on these chemicals, would you give a rebate when they are used in the manufacture of soap ?

A. I would not give any rebates at all.

6569. *Q.* I do not quite follow you. It is only in the case of manure that you would give a rebate ?

A. I think you wanted to have manure sold cheap to the agriculturists from the agriculturists' point of view. If it has to be sold cheap, then we may give a rebate. In particular instances, it will have to be decided. If it is found that the levying of a duty on imports increases the cost of the finished product and if it is a raw material for some other industry, Government may in that particular case give assistance in the form of a bounty.

6570. *Q.* Take the case of soap. You would not give a rebate ?

A. No.

6571. *Q.* Although you want to protect soap ?

A. Yes.

6572. *Q.* Supposing you put up the cost of the chemicals which are used in the manufacture of soap, you would have to increase your protective duty on soap by so much ?

A. It would have to be done.

6573. *Q.* Then you get really an increasing scale of protection ?

A. It would come about in the case of soap.

6574. *Sir Maneckjee Dadabhoy.*—*Q.* You say that your definition of key industries includes only explosives and dyes ?

A. Yes. That is my idea at present. I do not exclude the others, but I merely thought of these two, possibly steel.

6575. *Q.* Would you not include iron and steel, because no nation has become great without iron and steel ? You would class them as key industries ?

A. Yes.

6576. *Q.* You recommend a 7½ per cent. duty on books ?

A. Yes.

6577. *Q.* Don't you think that will be putting an embargo on education ?

A. I anticipated that difficulty in my note. I say "I am urging that books might pay some duty. Books coming from Europe and America are purchased by those who can afford to pay substantial prices. I would levy, for the sake of revenue only, a duty of 7½ per cent. on books."

6578. *Q.* Don't you think that education must be made as cheap as possible in this country, where we want industries to grow up and that every possible facility should be given for the spread of knowledge and education ?

A. I entirely see the point. I felt that difficulty too. I suggested that in case we wanted avenues for increase of revenue.

6579. *Q.* Don't you think it is a bad avenue ?

A. I think people who can afford to buy books from abroad can afford to pay a little more.

6580. *Q.* Books for students, college books and other books come from abroad. Already higher education is expensive for people in this country and your proposal would add to it. You would qualify that ?

A. I would qualify that to a certain extent.

6581. *Q.* You would not tax manures ?

A. I don't say that.

6582. *Q.* Till chemical manures are actually prepared in this country, you would let manures come in free, because it would be detrimental to the agricultural interest which is the main industry of the country ?

A. I think, Sir, if that argument is pursued we will never manufacture chemical manures in this country. There is plenty of bone in this country, why should we let it remain without being manufactured ?

6583. *Q.* They would not touch the bones at present ?

A. I have made enquiries and the Jats, who are the best cultivators of sugarcane, would not mind touching super-phosphates. Chaudhuri Mukhtar Singh, M.L.A., who is a Jat, is starting a bone crushing industry in Meerut.

6584. *Q.* It may be in one particular section. But in the whole of India they would not ?

A. I am not acquainted with other parts. I think they would not object to touching super-phosphates. Possibly they might object to bone meal, but not to super-phosphates.

6585. *Q.* Do you think that by increasing the duty on rubber from 20 to 30 per cent. we will have immediately rubber factories in this country ?

A. I do not say we will have it immediately.

6586. *Q.* Will it accelerate the growth of rubber ?

A. It will accelerate the conversion of the raw material into the finished product.

6587. *Q.* Will it accelerate at present ? Rubber is grown in very few parts of India ?

A. I do not recommend any duty on the raw material. But I recommend merely a duty on the finished product.

6588. *Q.* In your note you say that you are entirely opposed to an import duty on cotton cloth in order to encourage the local industry, and in answer to Mr. Rhodes you said that you do not object to the 11 per cent. duty on imported cloth ?

A. I merely meant by that statement a special protective duty, that is, a duty which is levied not with the idea of deriving income, but merely levied for the sake of fostering that particular industry.

6589. *Q.* Then you are of opinion that the Indian cotton industry ought to be protected ?

A. No, Sir, I did not say that.

6590. *Q.* You would not protect it at all ?

A. I would not like it to be protected except the manufacture of cloth in which counts higher than 40 figure.

6591. *Q.* Is this opinion based on the present prosperity of the mills ?

A. Yes. That article is very necessary for 75 per cent. of the population which is agricultural, and also for the middle classes. The industry is practically established so far as the coarser or medium counts are concerned.

6592. *Q.* You are aware of the vicissitudes of fortune of the cotton industry ?

A. Yes.

6593. *Q.* Are you so sanguine that this prosperity will be kept up in competition with Lancashire, Japan, etc. ?

A. Yes. We have already fixed a higher duty against Japanese yarn coming into this country.

6594. *Q.* I am talking of cloth.

A. I think India has sufficient advantages. She grows her own raw products. We have advantage over Japan. I have stated in my note that Japan pays freight on one-fifth of the quantity in each bale without deriving any benefit out of it.

6595. *Q.* Have you considered the actual cost of production in Japan and in other countries as compared with India ?

A. No, I have not worked it out.

6596. *Q*. Don't you think that would be a very important consideration in deciding this question of Protection ?

A. We have seen with our own eyes that the industry is pretty well established. There are brains, capital and raw materials available in India. Under these circumstances I do not think we require Protection, especially as the finished product is used by the middle classes.

6597. *Q*. You said that it is your opinion that if an export duty is put on raw cotton, we shall be able to export more yarn to neutral markets than now ?

A. Yes.

6598. *Q*. What are the neutral markets ?

A. China. I think by doing that, we may be able to make more cotton available for spinning mills in this country.

6599. *Q*. There are two things in this connection, the Japanese enterprise and the fixity of exchange. Have you considered those points ?

A. Yes.

6600. *Q*. And you still maintain that opinion ?

A. An export duty on cotton may be put in case we think that by that means we may derive some revenue and we may be able to render that same article available for spinning of yarn. I really think that India has got productive skill, capital and raw material. I think we may be able to manufacture more yarn and send the stuff out. We are in an advantageous position as regards the manufacture of yarn compared to Japan, because Japan pays freight on heavy stuff like cotton, all the way from here to Japan, and then sends the yarn to China and loses the freight on 20 per cent. on every bale. We do not do that. We send out the yarn itself. We do not pay freight from here to Japan. There is so much saving. The industry is pretty well established in this country. If we levy an export duty, it would help the greater utilisation of raw material in the spinning of yarn in this country.

6601. *Q*. Have you considered the other point, that it will hit the agriculturist very hard, because it would considerably depreciate the prices of cotton ?

A. I have not said what that particular duty should be.

6602. *Q*. We consume in our mills about 33 per cent. and the rest is all exported and our agriculturists get good prices, because it is freely exported.

A. I look forward to the time when we will have more spinning mills and more handlooms in this country.

6603. *Q*. It would take a number of years and meanwhile you would hit the agriculturist ?

A. I would not levy a duty immediately.

6604. *Q*. You would not levy the duty till India is able to consume the whole of its cotton ?

A. No. Till there are more spinning mills. I will explain. The Cotton Committee found that in pre-war days most of the cotton used to go to Germany to be manufactured into hosiery yarn and it used to come back as finished products. We look forward to some of this cotton being utilised in this country in the manufacture of hosiery yarn.

6605. *Q*. You want an import duty on yarns of 40 counts ?

A. Yes.

6606. *Q*. Have you considered how it will affect the handloom industry ?

A. Yes. There will be no difference at all.

6607. *Q*. You recommend an import duty on 40 counts and upwards ?

A. Yes.

6608. *Q*. They would be hard hit ?

A. The handloom weaver will turn out articles in competition with the power loom. The handloom weaver would utilise the higher counts. These higher counts, I expect, in the beginning will be imported and bearing a higher rate of duty. The consumer would be paying slightly higher prices than before, but the demand for hand woven stuff of the finer counts is pretty fixed and a slight rise in price would make little difference, *e.g.*, hand woven saris and dhotis are in demand by the middle and upper middle classes and they would continue to buy as before.

6609. *Q*. It would take away his margin of profit ?

A. No. The power loom weaver will be paying a higher price for the imported stuff.

6610. *Q*. Are you aware that power looms confine themselves largely to coarser cloth ?

A. I look forward to the time when they will be able to utilise more of the higher counts.

6611. *Q*. Then you would not at present recommend this ?

A. I would recommend it at present.

6612. *Q*. You also recommend a duty on wool ?

A. Yes.

6613. *Q*. What duty would you recommend ?

A. I am not in a position to say the exact amount.

6614. *Q*. The bangle industry is a very old industry ?

A. Yes. In two districts.

6615. *Q*. It is not in a very good state at present ?

A. It supplies the demands of the poorest classes.

6616. *Q*. Don't you think it needs Protection ?

A. Yes.

6617. *Q*. In what way would you recommend Protection ?

A. Austria had practically captured the Indian market for bangles. During the war, Japan captured it. At present I think it is paying 20 per cent duty. I would put a very substantial duty on that till we are able to manufacture clear glass. They manufacture the block glass in Firozabad. It is manufactured in direct fire furnaces, in which we cannot give the same intensity of heat, and so bubbles remain and the glass is not clear. Till we reach that stage, we should have to give protection to the bangle manufacturer. At present we get the lock glass from Austria and yet it pays them to manufacture bangles, but this may not last long and hence the demand for Protection.

6618. *Q*. Mostly we get it from Austria ?

A. Yes.

6619. *Q*. You think that it ought to be distinctly encouraged by a 20 per cent. increase in duty ?

A. Yes.

6620. *Q*. In what part of your province have you got this industry ?

A. In Firozabad.

6621. *Q*. A large number of people are dependent on it ?

A. Yes.

6622. *Q*. It is like a cottage industry in your parts ?

A. Yes. It is like a cottage industry.

6623. *Q*. I am surprised to find that you recommend an import duty on machinery. Throughout your note your feeling is that industries should be encouraged in this country ?

A. I am talking of agricultural machinery.

6624. *Q*. If you put a duty on agricultural implements then that would be still harder for the agriculturist ?

A. No. I want the industry to grow up locally.

6625. *Q*. Are there a number of factories started to manufacture these implements ?

A. There are three at present which can manufacture these things.

6626. *Q*. In your province ?

A. In this province.

6627. *Q*. And therefore you think it necessary in order to build up this industry ?

A. As a matter of fact Government is contemplating turning out some of these themselves just by way of example.

6628. *Q*. Are they joint stock companies or private companies?

A. Two of these are joint stock companies.

6629. *Q*. You recommend an export duty on hides and skins ?

A. Yes.

6630. *Q*. You want a high duty ?

A. Yes.

6631. *Q*. As regards protection how far do you think the present duty has affected the industry ?

A. We have had much too short a time to say whether this check on exports has developed the indigenous tanning industry.

6632. *Q*. It is your intention that this duty should be increased by 50 per cent. Do you approve of the increase on carefully considering this matter ?

A. I have carefully considered the point. I am not in a position to say how far the existence of the export duty has affected the local tanning industry. We are living in abnormal times. My idea is that this duty will help us to keep our raw materials within our country for manufacturing more leather.

Witness No. 46.

Mr. ALBERT M. SHAW, MANAGER, United Provinces Central (Oil) Mills, Cawnpore.

Written statement dated the 17th December 1921.

6633. I am interested in the Oil Industry.

It is a well-known fact that India grows an enormous quantity of oilseeds, but unfortunately a very insignificant portion of it is crushed in India itself—the bulk of it is being exported to Europe where it is crushed by the most up-to-date machines and refined and then exported back to India, which naturally means additional costs of freight both ways and middlemen's profits, not to say anything about the duties and other charges. The following are the ways whereby we can to some extent overcome the difficulties connected with the Oil Industry :—

(A) As India is not on an equal footing with the other foreign countries, and is industrially very backward, its material, which is chiefly raw, should therefore be sold in the dearest market, and the export duty should be regulated accordingly.

(B) There should only be a nominal import duty on Oil Plants like hydraulic presses, extractors, expellers, American cage machines, filters, etc., etc. This would afford better facility to the Indian manufacturers to import up-to-date machines, and do away with the old fashioned "Kolhus." They will then be in a better position to compete with the foreign countries in the near future.

(C) There are certain products in India, for instance "Kussam Seed," which are procurable in large quantities in the United Provinces. The export of this particular commodity is not shown in the sea-borne trade, and I am inclined to think that this seed is not even known in the foreign market. To the best of my information no suitable machine has so far been introduced for crushing this seed. The method now in force is very poor indeed, and certainly needs much improvement for obtaining therefrom a greater percentage of oil. It is therefore very desirable that for the benefit of the industrial community a permanent committee be formed whose duty would be to watch such defects and make adequate arrangements for its rectification.

(D) Speaking from practical experience I find that the production of certain commodities, for instance poppy seed, is annually decreasing—roughly there has been a decrease of 75 per cent. in this particular seed. For the interest of the Oil industry alone, and for the mutual benefit, it would be advisable if Government were to institute enquiries in such cases, and make the best possible arrangements to restore the cultivation of such and other oilseed commodities to normal stage.

(E) There are still many who are ignorant of the great Oil industry in India, and are crushing oilseeds in the same old obsolete methods. In order to encourage the industry it is very desirable that Demonstration factories should be established in central places like Cawnpore. All such factories should be managed by Government, and should be placed directly under the supervision of the Director of Industries.

(F) Other industries like the Textile industry have some footing which in one way does not require a special protection for reasons of its being far advanced comparatively, but the Oil industry is still in its infancy, but with a greater prospect and raw material before it. It is therefore very essential that the Oil industry should be protected, as this would not only hasten India's industrial development generally, but would be a great help in building up other small industries which could not otherwise compete with foreign products on equal terms.

SUPPLEMENTARY STATEMENT.

6634. *Q.* 43. Oil Crushing industry. Manager for over three years.

6635. *Q.* 44. Yes, we have the raw material in very large quantity, and the industry, though not very highly developed on modern lines, is one which has been carried on in the country from times immemorial. Moreover, the processes of manufacture are comparatively simple, and therefore the difficulty about high technical skill which handicaps other industries does not very much operate in the case of this industry. Labour, as compared with other countries, is cheap here.

6636. *Q.* 45. Yes, it is of substantial importance to the economic prosperity of India.

6637. *Q.* 46. It is not so well organized and equipped as in foreign countries.

6638. *Q.* 47. In India the output is chiefly sold in the Punjab and Bengal.

6639. *Q.* 48. The industry suffers from no foreign competition in the Indian market. We are not importing any vegetable oil. But we could be able to place much more of our finished products in foreign markets, if the industry is better organized and developed.

5640. *Q.* 50. Yes, the industry does need Protection. Obviously, there being no imports of oil from outside, this protection cannot take the shape of an import duty, but it may be possible to impose a small export duty on some varieties of oilseeds, preferably those in the production of which we enjoy some sort of a monopoly. In so doing, care should be taken that the export duties do not result in any curtailment of production.

6641. *Q.* 51. This industry will always remain in need of Protection, as the raw material produced here is very attractive to foreign countries.

6642. *Q.* 52. No, it does not suffer from dumping.

6643. *Q.* 57. I do not think that this industry has ever suffered from export duties.

6644. *Q.* 58. It is extensively used for soap making and varnish.

6645. *Q.* 60. Only such should be protected as stand in need of Protection and as are likely to benefit thereby.

Oral evidence, Cawnpore, the 19th December 1921.

President.—6646. *Q.* Is the United Provinces Central (Oil) Mills a joint stock concern or a private concern ?

A. It is a private concern.

6647. *Q.* Have you got any statistics to show what is the total quantity of oilseeds India exports and the total quantity of manufactured oils she imports ?

A. That can be ascertained from the Government publications. About 23 crores worth were sent from here as raw material in 1919-20.

6648. *Q.* I mean what proportion does it bear to the actually manufactured oil that is imported ?

A. Imported oil comes in different shapes. It does not come in the same shape as it is manufactured here. For instance, mustard oil when it is crushed here is just like the ordinary oil. When it is imported it comes in some other form which is used for a different purpose. For instance they make essential oils out of it. There are different oils, mustard, mohwa, rape, castor. We have not got machines wherewith we can refine castor oil.

6649. *Q.* You have enumerated some of the difficulties connected with the oil industry : and you say in connection with the very first difficulty that as India is not on an equal footing with the other foreign countries and is industrially very backward, its material, which is chiefly raw, should therefore be sold in the dearest markets, and the export duty should be regulated accordingly. I do not quite understand what you mean.

A. What I mean is that when raw material is exported from here, there should be some duty levied on it, so that when it is sold there the purchasers will not find it easy to

buy it. For instance, if there is no duty, the purchasers buy in great bulk. But if some restriction is put on it, there will not be so much exported.

6650. *Q.* That is to say, you want to retain the raw material by a substantial export duty?

A. Not such a duty as would stop its export altogether. Only a small duty which would act as an advantage to the local industry and a disadvantage to the foreigner importing the raw material.

6651. *Q.* Let me put it this way. It is very vague to say small or substantial. Do you wish to impose an effective duty or an ineffective duty?

A. An ineffective duty.

6652. *Q.* If it is ineffective how does it help you?

A. Inasmuch as the raw material will be taken away from us, but not in bulk.

6653. *Q.* Then it would produce that effect?

A. It may not produce much of that effect.

6654. *Q.* Yes, but some effect?

A. Yes.

6655. *Q.* Do you think that will produce any effect on the cultivation of these seeds?

A. No. If a very small customs duty is put on, it won't have much effect because after some time we will be able to get more mills and good machinery.

6656. *Q.* You also suggest that a nominal import duty should be imposed on oil plants like hydraulic presses, extractors, expellers, American cage machines, filters, etc. You say that this would afford better facility to the Indian manufacturers to import up-to-date machines. Surely, instead of having a nominal import duty, if the machinery is imported free, it would be of greater help?

A. Yes.

6657. *Q.* Do you think that the present 2½ per cent. duty has in any way produced any difficulty for you?

A. For the oil industry it has, to some extent, because I find that in Cawnpore there are very few who get machines from home. If the duty is taken away altogether from all machinery, I think we will have better facility to get more machines.

6658. *Q.* Do you think that the 2½ per cent. duty has produced such a material effect?

A. It does, because this industry is only in its infancy.

6659. *Q.* What is the quantity of kussam oil seed that is produced in this province?

A. I have not got any figures to show at present. But I find from manufacturers that they cannot get any suitable machine for crushing this seed.

6660. *Q.* You cannot get any suitable machine?

A. They have at present the old style crushers "Kolhus" that spoil the cake besides leaving a good percentage of oil, which may be taken again from the cake. If a machine is designed wherewith we can crush and take out all the oil, that will help us a great deal.

6661. *Q.* For that you must manufacture a suitable machine?

A. Yes.

6662. *Q.* There are several markets in the world where you can get it?

A. I have tried my best, I could not succeed. I wrote to Germany and I have not received a reply so far. I am daily expecting a reply.

6663. *Q.* You cannot expect other people to help you in this?

A. I have sent samples to Germany. I suppose they will be able to make some machine suitable for this purpose.

6664. *Q.* I do not know what you really mean by your suggestion, "It is therefore very desirable that for the benefit of the industrial community a permanent committee be formed whose duty would be to watch such defects and make adequate arrangements for its rectification."

A. At present there is no one to explain to the manufacturers how much percentage of oil a certain seed can yield. If a committee is there, they can instruct these manufacturers, and they can utilise the seeds better.

6665. *Q.* I do not follow you. Do you mean you require expert advice?

A. Yes, we require expert advice. A school has been started here, I mean a Research Institute, in Cawnpore. If a committee is also formed it can find out from all the factories what their difficulties are in the matter of crushing the seeds.

6666. *Q.* Surely, these factories are interested in the success of their enterprise, and they should proceed on their own initiative?

A. But so far we have not got any help.

6667. *Q.* You require expert knowledge, do you not?

A. If it is given we will be much better.

6668. *Q.* Then you say, "Speaking from practical experience, I find that the production of certain commodities, for instance poppy seed, is annually decreasing." You know that the production of poppy seed is decreasing because of the opium policy of the Government of India. Poppy is the seed from which opium is taken, and therefore you see a reduction in the area under poppy seed. Poppy seed stands on an entirely different footing. Have you got any other seed in which you desire Government to institute enquiries?

A. Other seeds are growing all right.

6669. *Q.* As regards your paragraph (E) would you please tell me whether you think Government enterprise should arrange for the Demonstration factories to be established.

A. If Government moved in the subject it would have a better effect than private enterprise.

6670. *Q.* As regards the last sentence of your statement, I should like to know whether the Protection you desire should take the shape of an export duty on oilseeds or an import duty on manufactured oils?

A. We want an export duty. We do not import much oil in its common form.

6671. *Q.* Do you think an effective export duty will not produce any adverse effect on the cultivation of these seeds?

A. No. We want only small export duties. If small duties are levied, they won't have much effect.

6672. *Q.* Whether they be effective or not?

A. At present this industry is not well up like other industries. But when we have more mills, we will have more consumption.

6673. *Q.* But it was put to us that, in the state of the oil industry at present, if you impose an export duty on a particular seed, it is bound to affect the entire production of that seed. Is that also your view?

A. Yes.

6674. *Q.* The manufactured quantity is about 2 to 5 per cent. The agriculturists are therefore deprived of their full market value in foreign markets for benefiting a very, very small proportion of the manufacturing industry.

A. But there will be another effect of that. If the raw material is sent away without extraction, we will be deprived of our manures, that is cake, which will be very useful for the agriculturists.

6675. *Q.* Would not the same effect be produced by imposing a reasonable import duty on oils brought into the country?

A. It will have the same effect. But we would welcome other oils from home for the particular reason that we have not got the facilities to get such good oils in India, whereas from home you can get very good oils.

6676. *Q.* Therefore as between the interests of the consumers of oils in India and the interests of the agriculturists, the producers of oilseeds, you would give preference to the consumers of oil?

A. I would not give preference to the consumers. That will be a question between the agriculturists and the consumers.

6677. *Q.* To whom will you give priority?

A. Really speaking, to the agriculturists, it is from them we can get the raw material.

6678. *Q.* Then how do you justify your duty?

A. What I was thinking was only a small duty.

6679. *Q.* That you have already told us.

A. Not so much as to compel the agriculturist to accumulate the raw seed for want of export. It may be a very small one, so that the agriculturists may not suffer.

6680. *Q.* I believe you informed the Secretary to the Commission that you had not time to study the questionnaire carefully when writing your replies, and that you would like to bring to the notice of the Commission certain other views. Will you please make a statement of those views?

A. Yes. I have written these replies. (Witness handed to the President a written reply. See Nos. 6634—6645.)

6681. *Q.* There does not appear to be anything new in this. Will you please make a brief statement as regards the new matters that you have dealt with?

A. I have replied to these questions and thereafter questions from 43 to 60.

6682. *Q.* Can you not give us in a few words any particular points that you wish to draw our attention to?

A. I would like to see our industry protected. That is one point. There should be a small export duty imposed upon the raw material.

6683. *Q.* That you have told us. Anything new?

A. This is the only important thing for our industry. At present we are handicapped for want of machinery and other things. The oilseeds are taken away in bulk.

6684. *Q.* It would have been of great help to the Commission if you could have told us something really useful

for the purpose of giving us some information as to how help could be given for the development of the oil industry. All that you have suggested is the imposition of a moderate duty on oilseeds.

A. Yes. The second thing is the taking away of the import duty on machinery.

6685. *Q.* That is all ?

A. Yes. If we are given these two things, it would be of great help to us.

6686. *Q.* How has your industry prospered up to now ? Has it been a success ?

A. Yes. But we have not got up-to-date machines.

6687. *Q.* It will be more successful if you get them ?

A. Yes.

6688. *Q.* Under present conditions do you want any special protection ?

A. Yes. We want the advice of experts of oil industry, who can demonstrate what would be best for such class of industries.

6689. *Sir Maneckjee Dadabhoy.*—*Q.* I would just like to find out what seeds you are crushing.

A. Mohwa, rapeseed, til, castor, poppyseed, linseed, practically all seeds.

6690. *Q.* These are grown in your province ?

A. Yes.

6691. *Q.* Of these only a few are exported ?

A. According to the reports almost all are exported.

6692. *Q.* In large quantities ?

A. Yes. Germany and France take all these seeds.

6693. *Q.* I cannot therefore understand you when you say that you want this industry protected by a small export duty only on seeds and the removal of the present import duty of 2½ per cent. on machines. You state that you would be able to get them cheaper if this is done. Surely, 2½ per cent. will not prevent those who want to get crushing machine ?

A. This industry is not well up.

6694. *Q.* Surely, 2½ per cent. is so small that it cannot prevent you from putting up a factory ?

A. It will not prevent us, but it will be of some help to us if the duty is removed.

6695. *Q.* Will that prevent the capitalists from investing money if they really see money in it ?

A. Capitalists are not coming for this industry.

6696. *Q.* It might be due to general causes and not to the duty ?

A. This is also one of the causes.

6697. *Q.* Has it prevented you from putting it up ?

A. I have taken a few machines. I have paid the duty. But I would like to take more machines.

6698. *Q.* If the duty of 2½ per cent. is abolished ?

A. If it is abolished it will facilitate getting more machines.

6699. *Q.* We would all be very glad if we could receive from you some concrete proposal for protecting your industry and information regarding your difficulties and their remedies.

A. I said just now that if an export duty is imposed, that would help us a great deal. Then, if the duty on machinery is abolished, that would help us a great deal. Expert advice from Government will also be of great help to us. If Demonstration factories are set up in important towns like Canwpore, that would, also, be of great help to us.

6700. *Q.* What is this kussam seed ?

A. It is a white seed grown in the fields. I do not know the proper name in other provinces.

6701. *Q.* How do you use it ?

A. It is for eating purposes.

6702. *Q.* It is consumed like til oil ?

A. It is better than til oil. It is used for cooking purposes. We have not got suitable machines for crushing the seeds. We have written to Germany for a suitable machine for crushing this seed.

6703. *Q.* What small industries are you referring to in the last sentence of your statement ?

A. If people are rich enough, they can invest money in other industries like soap, wax-candles, etc.

6704. *Q.* I thought you meant some industries connected with the oil industry ?

A. They can make essential oils for which we have got machines at present.

6705. *Q.* That means capital. If people are not enterprising enough to buy machines and take risks, nobody can help it ?

A. If the raw materials are not exported, we can make use of it here.

6706. *Q.* Have you any difficulty in selling your products ?

A. No difficulty.

6707. *Q.* You get a good price for your products ?

A. Yes.

6708. *Q.* Does it leave you a good margin of profit ?

A. Yes.

6709. *Q.* On an average, what margin ?

A. From 15 to 18 per cent.

6710. *Q.* You refer to the textile industry, but have you personal knowledge of it ?

A. No.

6711. *Mr. Mant.*—I understand from your written statement that there is no foreign competition in the oils that you manufacture ?

A. None at present.

6712. *Q.* Is it because you make crude oils and the seeds that are taken to Europe are made into fine oil ?

A. It is not really crude oil that we make. It is also good oil, but we have not the same facilities that other countries have for filtering and refining.

6713. *Q.* Why is there no foreign competition ? A good deal of seeds is crushed in Europe.

A. Their oil is refined, whereas ours is not.

6714. *Q.* You would like to build up an export trade ? Is not that the goal of the Protection that you suggest ?

A. Yes.

6715. *Q.* You say the seeds can be crushed in India and exported in the form of oil. But is there a demand abroad for this crude oil ?

A. I do not know anything about that so far, but if export of oilseeds is discouraged, perhaps there will be some demand for this crude oil.

6716. *Q.* They could refine it in Europe ?

A. Yes.

6717. *Q.* Could you not make finer oils here ?

A. Yes, we can from rapeseed and mustard.

6718. *Q.* Could you not make refined oils which can hold their own abroad ?

A. We have not got the machines. If there are filters and machinery, we can make better oils and send them in refined form. But they make different oils : they make lubricants out of the mustard oil.

6719. *Q.* If you try and build up an export trade, would you have any difficulty about tins ?

A. They can be despatched in wooden barrels.

6720. *Q.* Can you get materials in this country to ship them ?

A. We can get the wood in the country for the barrels.

6721. *Q.* And what about the bye-products ?

A. There is a very good market here, and we can dispose of any amount.

6722. *Q.* You have no difficulty in disposing of the cake you get ?

A. No.

6723. *Q.* You have a ready market ?

A. Some are disposed of for manure purposes and some are sold out as cattle food. Mustard and rapeseed cakes are used for cattle food. Cotton cake and castor cake are used for manure purposes.

6724. *Q.* As regards Protection in the form of export duty, you said in answer to the President that you would make it so small that it would not hit the cultivator.

A. It should not in any way discourage the agriculturist.

6725. *Q.* Can you tell me how it would help you if would not reduce the price ?

A. We want to discourage export not on a big scale, but on a small scale, so that the agriculturist may not suffer and we may have plenty here to crush.

6726. *Q.* You only crush a fragment of the oilseeds produced in this country, and you want only to put a very slight duty. I do not see how it is going to help you.

A. If there is some restriction, then, of course, it will not be exported in the same bulk as it would otherwise be.

6727. *Q.* Well, I leave it at that. If it would not hurt the agriculturist, I canot see how it would help you.

6728. *Mr. Rhodes.*—*Q.* You told us that there is a ready market for the oil ; you can sell a large quantity if you can produce it.

A. Yes.

6729. *Q.* If you produce a very much larger quantity of oil, would you be able to sell it ?

A. Yes, we can sell it ; there is a great demand for making soaps.

6730. *Q.* I see ; you might develop a soap industry ?

A. Soap, candle, vaseline, etc.

6731. *Q.* But otherwise, I gather from your answers, you produce in the country as much as the country wants ?

A. Yes. Owing to the small number of factories, we cannot crush as much as we could otherwise.

6732. *Q.* You do not import these oils and therefore you are producing as much as the country requires?

A. It is also being exported.

6733. *Q.* Can you tell me what the bulk and weight of the oilseed would be compared with the oil extracted from it? Why do people abroad prefer to take the seed for the oil?

A. Because they get out of it manure which is useful to them.

6734. *Q.* Really, they prefer to have the seed?

A. Well, of course, that is much cheaper. They get it in a raw state and they extract oil out of it.

6735. *Q.* It is much better handled also?

A. Yes.

6736. *Q.* Is the machinery that is used a very complicated high-grade machinery or is it a sort of machinery that could be made in the country?

A. It is not very complicated. It is ordinary machinery which can be made in the country if somebody takes it up.

6737. *Q.* The expellers and hydraulic presses you use, could they all be made in the country?

A. Yes.

6738. *Q.* People tell us that it could be made if a 10 per cent. duty is put on machinery.

A. But it would discourage us still further. We want to get machines cheaper.

6739. *Q.* But in order to sell their machinery to you, the machinery-makers want Protection and you do not want them to be protected?

A. They get the raw material cheap, when it is not exported from here.

6740. *Q.* If I want to set up a machinery works for manufacturing your machinery, I would come before this Commission and ask for a 20 per cent. duty on the import of machinery. Would you oppose it?

A. Yes.

6741. *Mr. Coyajee.*—*Q.* How many mills are there in India which are well-equipped and organised on modern lines?

A. I do not know how many mills there are in India. There are six mills in Cawnpore.

6742. *Q.* Would you call them well-equipped?

A. They are not all well-equipped.

6743. *Q.* They are mills, but they are not run on modern lines?

A. No.

6744. *Q.* Besides these mills, there are many other smaller mills run on old lines?

A. They have got the old style of crushing in 'Kolhus.'

6745. *Q.* There is one important thing that I notice here. India both imports and exports linseed oil. It is rather interesting that we should be importing and exporting the same oil.

A. We export in big bulk for making varnish. I do not know why people are getting oil from abroad: it may be in another form.

6746—6747. Cancelled.

6748. *Q.* The statistics here show that in 1917 we exported 557,000 gallons and in the same year a lot of linseed oil was imported too. Is there any difference in quality?

A. It must have come in better form, because when we send out from here, people buy it for making varnish and so on. When it is imported, we get it here in a better form.

6749. *Q.* You think that the likelihood is that the superior quality is imported and the cruder form is exported?

A. Yes.

6750. *Q.* Well, that only puzzles me more, because in his *Handbook of Commercial Information*, Mr. Cotton says that, generally speaking, the best Indian oil enjoys a higher reputation in the local market than the imported oil which is chiefly used for industrial purposes. Is that your experience as regards the linseed oil?

A. We do not get it in the same form as we can get it abroad, because we have not the machines for refining it.

6751. *Q.* Now, it has been suggested by a very high authority this morning that there should be no import duty on foreign oil, because if one is imposed, the manufacture of soaps, paints and varnishes would be greatly harmed in India.

A. I do not think they make varnish here. That is only on a very small scale. We get varnish from England direct. Soap we make here, but that is not good soap, as we only use crude oil. If we use better oil, it will give better soaps. Then by the same method we can have candle making factories, vaseline, glycerine and paint, but all that depends on the quality of the oil.

6752. *Q.* Then, it has been asserted that you do not get enough price for your bye-products in this country,—that the Indian cattle-owners are not ready to pay you a good enough price for the bye-products.

A. My experience is that the demand for oil-cake is greater than the supply. I find I cannot cope with the demand. I have got orders for cake from the Punjab, which I cannot execute. There is much demand for the Mohwa cake. When there was scarcity of coal, people used it for burning purposes. The agriculturists want Mohwa cake for manure purposes. The only difficulty I found during the last six months was to sell the castor cake, but that was, I think, due to the season not having started. I have made enquiries from Government and I do not think there would be any difficulty in disposing of it.

6753. *Q.* You get good price?

A. Yes.

6754. *Q.* There is no foreign competition worth speaking of just at present?

A. There is no competition.

6755. *Q.* And you are making large profits?

A. Yes.

6756. *Q.* But all this does not make out a case for Protection. If there is no foreign competition, if you make good profits, if raw material is abundant and you have a ready market,—well, it requires something more to make out a case for Protection.

A. We do require Protection inasmuch as if there is no check on the export of the raw material, the time might come when the whole of it might be shipped away.

6757. *Sir Montagu Webb.*—*Q.* In your written statement you say that many old obsolete methods are now being employed. How is it that better machinery and better methods are not introduced?

A. People are not getting these machines, because in the first place they are not aware fully what machines are in existence, and secondly, capitalists are not coming forward. There are duties against us, and we do not want any duties to be levied on machinery.

6758. *Q.* Which do you think the more important: to improve the methods of crushing, or to put on an export duty?

A. An export duty would be better.

6759. *Q.* You think it would be better to have an export duty and to levy a duty on machinery. I am asking you which would be the better way of helping the industry, to introduce better machines or to put an export duty on oil-seeds?

A. Better machines.

6760. *Q.* You think if you had better machines, you should not want an export duty at all?

A. When there is no restriction on the export of raw materials, that will discourage our industry in India.

6761. *Q.* But if you have good machines, why should you be afraid of their taking away the raw materials?

A. They would pay any price for buying the raw material.

6762. *Q.* The other people have got to pay railway freight and steamer freights and you pay nothing. Why should you fear that other people will be able to compete with you?

A. The time might come when we will be in a better position to compete, but, under the present circumstances, we cannot.

6763. *Q.* Until the oil industry is considerably developed and better machinery has been introduced, you would favour a small export duty in order to conserve the stocks of raw products available in the country?

A. Yes.

6764. *Sir Edgar Holberton.*—*Q.* You say there are six mills here. Are they all power mills?

A. Yes.

6765. *Q.* How long have they been standing?

A. They range from 6 to 18 years.

6766. *Q.* Where do they get their machinery from?

A. Some from England and some have been using the old style of crushing.

6767. *Q.* Are some of them up-to-date?

A. We have got both kinds, 'Kolhus' and hydraulic presses.

6768. *President.*—*Q.* Are the Kolhus worked by animals?

A. No. They are worked by steam power.

6769. *Sir Edgar Holberton.*—*Q.* And you are handicapped by want of capital to introduce up-to-date machinery?

A. Capitalists are not coming forward at present.

6770. *Q.* Do you produce any further products like soap?

A. We are making an experiment of soap. We produce soap out of the crude oil.

6771. *Q.* You crush rapeseed and what do you produce?

A. Oil is made and sold: it is also made into soap. The cake is sold for manure and cattle food.

Witness No. 47.

The INDIAN SUGAR PRODUCERS' ASSOCIATION.

Written statement dated the 16th December 1921.

6771 (*a*). The Indian Sugar Producers'- Association was established in 1911 and now has a membership of 18. All but one of these members are actual producers of refined sugar and the remaining member has large interests in sugar production and the marketing of sugar in India. The Association is open to all producers of sugar in any capacity, whether growers, refiners or distributors.

6772. *Q.* 1 to 14. Whatever the fiscal policy of the country may be, sugar and the Indian sugar industry require a protective tariff, scientifically framed and applied with discretion.

6773. *Q.* 15. The industry has in the past received special protection by means of countervailing duties against foreign sugar favoured by bounties. It requires similar protection whenever occasion arises in the future. It also requires special protection against dumping and this could perhaps be best afforded by legislation on the lines of the rules in the Canadian tariff against dumping.

6774. *Q.* 17. The possibility of combination among protected producers of refined sugar in India does of course exist but it is so remote as to constitute no real danger. It is impossible to conceive of combination among the countless producers of unrefined sugar (*jaggery*).

In any case a complete remedy against combination exists in the readjustment of the tariff.

6775. *Q.* 19. There might be a conflict of interests under a protective system in the case of refineries in India importing their raw material from foreign countries, but this would be on so small a scale as not to prove likely to affect the general situation.

6776. *Q.* 20. An import duty on a protective basis need not permanently result in a rise in price. Protective conditions would tend to increase internal production and thus of themselves counteract against a rise in price.

6777. *Q.* 22. A temporary increase in price to the consumer would be quite justifiable if it leads eventually to the development of the industry and an increase in production.

6778. *Q.* 23. Sugar is a most important necessary of life.

6779. *Q.* 35-37. Imperial Preference, if judged solely in its relation to the indigenous sugar industry of India, would be a disadvantage, but when the general good of the Empire is considered the sugar industry cannot resist the claims of Imperial Preference. It is practically certain that there would be retaliation from foreign countries but the advantage would be likely to rest with the Empire.

6780. *Q.* 44. There are certain natural advantages for the sugar industry in India. These are cheapness of land and of labour, the fact that the raw material is available in the country and the further facts that there is an adequate market in the country for her manufactures and hence no trouble about exchange.

6781. *Q.* 45. The Indian sugar industry is of national importance.

6782. *Q.* 46. Save for the well equipped larger refineries the sugar industry in India is very backward and badly organised and equipped. This is particularly emphasised when Indian conditions are compared with those in Java.

6783. *Q.* 47. At present the Indian sugar industry needs to depend only on the indigenous market.

6784. *Q.* 48. The foreign industry which the Indian sugar industry has at present to meet is that of Java and Mauritius. The early resumption of the competition of European continental beet sugar is certain. This competition is confined to refined sugar.

6785. *Q.* 49. In the case of the two tropical countries of Java and Mauritius there are special natural advantages of climate, while European continental competition is again likely to have the special advantage of State assistance.

6786. *Q.* 50. The sugar industry does emphatically need Protection.

In the present uncertainty of the costs of production it is difficult to give the figures upon which a case for protection could be based. The Committee of the Association, however, believe that no country will be able to put sugar on to the Indian market at a cost below Rs. 9-8 per maund. This would justify a protective duty of 33⅓ per cent. with a 50 per cent. rebate to countries within the British Empire.

The proper basis for the imposition of an import duty on sugar is to pitch it at a figure which will secure the interests of the indigenous industry at the lowest possible figure of import-cost.

6787. *Q.* 51. The climatic conditions of India will always render it necessary for the Indian sugar industry to be protected if it is to compete against foreign competition.

6788. *Q.* 52. The sugar industry has suffered in the past from dumping and it is likely to suffer again. The remedy lies in anti-dumping legislation on the lines followed by the Canadian Government, as mentioned in reply to Question No. 15.

6789. *Q.* 53 to 55. If trade conditions enable continental countries to export sugar to any extent the depression of exchange, if it then continues, will undoubtedly accentuate competition.

6790. *Q.* 56. In view of the extremely high level of prices the increases in the tariff in and since 1916 did not benefit the Indian sugar industry to any appreciable degree.

6791. *Q.* 58. Indian refined sugar is used to a very large extent in the confectionery business.

Molasses, a bye-product of the industry, is used in distilling and in treating country tobacco.

6792. *Q.* 59. The sugar industry does not use as its raw material the finished product of any other industry.

6793. *Q.* 60. A protective tariff must essentially be scientifically varied with the degree of Protection necessary for its purpose.

Oral evidence of Mr. SHAKESPEAR, C.I.E., Cawnpore, the 20th December 1921.

6794. *President.*—*Q.* You represent the Indian Sugar Producers' Association?

A. Yes.

6795. *Q.* In answer to Questions Nos. 1—14, you say, "Whatever the fiscal policy of the country may be, sugar and the Indian sugar industry require a protective tariff scientifically framed and applied with discretion." Will you explain whether it would be a permanent tariff, or whether the Indian sugar industry can stand in competition with the foreign industries, after a time, without Protection?

A. We might be able to stand on our own resources eventually if the work that the Government has been recommended to undertake on the agricultural side really proves to be effective and gives us better quality canes and heavier yields.

6796. *Q.* Better and cheaper cane?

A. Not so much cheaper cane as better quality cane.

6797. *Q.* What prospects are there of success?

A. I do not know whether the scheme recommended by the Sugar Committee which recently had the question under consideration will be carried out or not. It is a question of funds, I suppose. It is an ambitious scheme involving a large increase in personnel on the agricultural side and also in connection with the technology of the industry. I do not think as we stand to-day we could compete against such countries as Java on equal terms.

6798. *Q.* Will you kindly explain to us why Java holds such a lead in the sugar industry?

A. It is chiefly due to the climate, the fertility of the soil and the wonderful organisation of the industry. It is one of the best organised industries in the world. They spent an enormous amount of money in maintaining the efficiency of their industry,—not the Government, but the industry itself.

6799. *Q.* Then, in your view, under the present conditions, the industry would require permanent Protection?

A. Yes: I think it will probably have to be permanent.

6800. *Q.* Unless conditions improve?

A. Unless we are able greatly to reduce our cost of production. That is bound up to a great extent with what Government is able to do in the direction of growing cane. It is mostly on the agricultural side that we are so far behind.

6801. *Q.* How is it that Java has organised itself? I suppose private enterprise will in course of time organise itself here also?

A. We are much better than we were in this country. I am speaking now of the large concerns and not of the indigenous methods which have not changed for years. On the manufacturing side, I think we come fairly close to Java; but on the field side we are a long way behind, and that is of course the most important side of the industry really.

6802. *Q.* In answer to Question No. 15 you say, "It also requires special protection against dumping and this could perhaps be best afforded by legislation on the lines of the rules in the Canadian tariff against dumping."

A. Our industry went through a terrible experience years ago when we were exposed to the competition of European beet sugar and we were very nearly extinguished.

6803. *Q.* Do you notice anything of the kind now?

A. No. I do not think Java is actually dumping at the moment. I think she is only finding a market for her sugar at the best prices obtainable. European countries have not really begun to compete again. I do not know when they are likely to begin. One shipload of beet sugar has arrived in Karachi now, but that is the first that we have heard of since the war.

6804. *Q.* Then do you think Java can sucessfully manufacture and sell at the present low rates?

A. Yes. I do not think she is down to her cost of production yet, but it is very difficult to get accurate figures. I believe the Sugar Committee did get accurate figures, but I do not think the figures have been reproduced in the report. They were probably given to them confidentially. Of course their cost must have gone up as compared with the pre-war period.

6805. *Q.* In answer to Question No. 17, you deal with a possibility of combination. If fine sugar is raised in price by such combinations, the use of *jaggery* would develop and counteract the effect of that combination?

A. What I meant was that the producers of refined sugar are so small that comparatively speaking no combination would ever affect the market.

6706. *Q.* That is to say you would have to meet foreign competition and people taking more largely to *jaggery*?

A. If we put up our rates, we would simply not be able to sell our goods. We could never command the market, considering the preponderance of foreign sugars, and obviously the makers of raw sugar could never combine.

6807. *Q.* Do you manufacture your sugar direct from cane or from *jaggery*?

A. The Association comprises both types of manufacturers. Some of them are refiners and some are doing both. Some are refiners at certain seasons of the year and manufacture their cane during the harvest period. We do that in most of our own concerns.

6808. *Q.* What firm do you represent?

A. Begg Sutherland & Co. and we are Managing Agents of the Cawnpore Sugar Works.

6809. *Q.* And there are others?

A. Yes, the Ryam Sugar Company, Champaran Sugar Company and the Samastapur Sugar Company.

6810. *Q.* Do you find the industry more profitable by direct production from cane or *viâ* jaggery?

A. It is more profitable to make sugar direct from cane.

6811. *Q.* What are the difficulties in the way of maintaining that industry throughout the year?

A. We cannot get the crop. The season ends about the end of April and canes are not ripe till about the 15th of December. One of the most important points that the Government is now being asked to consider is the provision of canes which will ripen earlier so as to extend the manufacturing period as long as possible.

6812. *Q.* Do you know what Java does?

A. Its season lasts about 150 days. It is much longer than ours.

6813. *Q.* They produce sugar direct from cane?

A. Yes, I do not think there are any refineries in Java.

6814. *Q.* And that gives them a substantial advantage over the Indian industry?

A. Yes, they have a longer season than we have.

6815. *Q.* That confers an advantage?

A. Yes.

6816. *Q.* In answer to Question No. 20, you say, "an import duty on a protective basis need not permanently result in a rise in price. Protective conditions would tend to increase internal production and thus of themselves counteract against a rise in price." And in reply to Question No. 22, you say, "A temporary increase in price to the consumer would be quite justifiable if it leads eventually to the development of the industry and an increase in production." I think you have already said that in course of time the industry will sufficiently develop.

A. It is a difficult thing for anybody to say. I think if you could save even half the sugar bill which India has to pay to outside countries, the economic gain would be enormous. The economic loss in sugar under existing conditions is colossal.

6817. *Q.* Then you think even if a permanent duty is maintained and the cost to the consumer is increased, it would be to the national advantage of India to develop the industry?

A. I think so.

6818. *Q.* In reply to Questions Nos. 35 to 37, you say, "Imperial Preference, if judged solely in its relation to the indigenous sugar industry of India, would be a disadvantage, but when the general good of the Empire is considered, the sugar industry cannot resist the claims of Imperial Preference. It is practically certain that there would be retaliation from foreign countries, but the advantage would be likely to rest with the Empire." Will you please explain your answer?

A. Supposing the duty were fixed at 20 per cent. with a rebate of 10 per cent. to British grown sugar, I suppose you might say we would suffer, but I am prepared to support the principle of Imperial Preference.

6819. *Q.* It would be a disadvantage to the industry?

A. Yes, in a special sense.

6820. *Q.* In answer to Question No. 44 you indicate what natural advantages the sugar industry has, and still it is not able to compete successfully, without Protection, with foreign countries?

A. Yes, we have natural advantages, but they are, I am afraid, out-balanced. Land is cheap, but you cannot raise large crops of cane on it.

6821. *Q.* Your real difficulty is agriculture?

A. Yes, an unsuitable climate and a very short growing period. We have a dry cold winter, then a very hot spell, then very heavy rain and then cold again. I am speaking of Northern India. The climate is much more suitable for cane in the Peninsula. But taking Northern India, it is very far from being an ideal cane growing climate.

6822. *Q.* These disadvantages operate in making your raw material dear?

A. Yes, but if we get the field yields that Java does and an extended season, I do not think there could be any question of Protection.

6823. *Q.* In the end of your answer to Question No. 48, you say, "The early resumption of the competition of European continental beet sugar is certain."

What effect do you think that will produce on your industry?

A. I think it depends on the extent to which Germany and Austria are able to restore their industries. If they had sugar for export, it would suit them well to export a product for which they have to buy nothing from outside except containers. They have got everything necessary in their own countries, fertilisers, raw material and machinery. The only things that they have to buy are a few chemicals and containers. As soon as continental countries feel that they can do so, they will certainly resume their exports.

6824. *Q.* What will be the effect of that?

A. More competition, adverse competition to us, of course.

6825. *Q.* In answer to Question No. 49, you refer to continental competition having special regard to State assistance. Can you tell us in what form this industry is assisted by the respective States?

A. On the continent before the war, there were various forms in which the industry received assistance, some were direct by means of tariff, and there were also indirect concessions, such as rebates on railway freights in the case of Austrian sugar, rebates on steamer freights, rebates on canal dues on sugar coming to India. The formation of Kartels or trusts was legalised under the operation of which they were able to keep the price of sugar up in the domestic market. That enabled them of course to sell the surplus for export at a much lower rate. The bounty system on the continent was a most complicated system. There was a variety of ways in which the industry received benefits.

6826. *Q.* We were told by one witness that the reason why this procedure was adopted was to reduce the actual cost by mass production. Do you know anything about it?

A. There is no doubt that the industry was built up as a result of the assistance they got from their Governments.

6827. *Q.* The point was whether the community in those respective countries had to pay more?

A. Of course.

6828. *Q.* But did not mass production reduce the cost?

A. Yes, but not the price to the home consumer.

6829. *Q.* They could not do it without unduly penalising the local consumer?

A. The home consumer had to pay a fabulous price for his sugar. The French were taxed to such an extent that they could not afford to buy sugar during the days of the bounty system. It was England that benefited.

6830. *Q.* At the end of your reply to Question No. 50, you say, "This would justify a protective duty of 33⅓ per cent. with a 50 per cent. rebate to countries within the British Empire." What countries do you refer to?

A. Mauritius is the only one that would affect India.

6831. *Q.* This would mean a duty of less than 17 per cent. on sugar imported from Mauritius if 50 per cent. preference is given?

A. Yes. Mauritius cannot make their sugar as cheaply as Java.

6832. *Q.* You would be able to compete with Mauritius?

A. Yes. We think we can compete with Mauritius.

6833. *Q.* What would be the effect on price to the consumer in India of this policy?

A. Certainly, the duty would be shifted on to the consumer.

6834. *Q.* Have you worked out any definite data on which you base your recommendation of 33⅓?

A. It was really evolved out of the scheme drawn up by the British Producers' Organisation. We are affiliated to this Association. They went very carefully into the whole question of a sugar tariff for the United Kingdom and ours is really a complement of theirs.

6835. *Q.* In reply to Question No. 56, you say, "In view of the extremely high level of prices the increases in the tariff in and since 1916 did not benefit the Indian sugar industry to any appreciable degree." That is because competition was reduced in consequence of war conditions?

A. Yes.

6836. *Q.* We should like to know what effect you anticipate now that normal conditions are being restored, *i.e.*, the effect of the 15 per cent. duty. Do you think it is adequate to support your industry?

A. My personal view is that I do not think it is really necessary to put it up at the moment.

6837. *Q.* That is to say, you think it is fairly adequate for the time being?

A. We want to see how the world prices are going to stabilise. Trade conditions are in such a state of confusion at the present time that it is very difficult to find out on what basis the world's markets are going to adjust themselves as regards the price of sugar.

6838. *Sir Edgar Holberton.*—*Q.* The Sugar Committee did not find themselves able to recommend very much assistance to this industry in the way of tariff?

A. Not in the way of a tariff. They held the view that generally a protective tariff operates against efficiency.

6839. *Q.* Their point really was that few sugar factories were efficient?

A. Yes. They said we were not as efficient as we should be, but on the manufacturing side we were able to prove that we were not very far behind Java.

6840. *Q.* That would only apply to a few factories?

A. Yes to our most efficient factories.

6841. *Q.* It is largely due to the fact that some of the factories are working very well?

A. Yes, some have been brought up-to-date as regards plant and process.

6842. *Q.* Has there been any great advance in sugar manufacturing machinery in the last 20 years? Have new processes been invented?

A. Nothing since the introduction of the new clarification processes in Java.

6843. *Q.* That I suppose you have got?

A. We have got these in some of the factories.

6844. *Q.* Your difficulty in India really is mostly agricultural?

A. Yes.

6845. *Q.* There was some suggestion that something could be done by means of a sliding scale for payment of cane.

A. Yes. We have adopted this principle.

6846. *Q.* That has had the effect of increasing cultivation?

A. Yes, very much.

6847. *Q.* Is there any fear of cultivation decreasing?

A. There are indications that the area will be reduced as the result of the lower level of prices for sugar, but these are only rumours so far.

6848. *Q.* If land went out of cane cultivation, what alternative crop would the man raise?

A. It depends on where the land is. In some areas cereals would take the place of cane, and in others various other crops. The best land is selected for cane.

6849. *Q.* And the grower gets a very good return for it when sugar prices are good?

A. He will get a good return even at the present level. But we do not know whether the present level is the bottom. Conditions are in a state of chaos. We do not know where prices are going to stabilise.

6850. *Q.* What is the price roughly now?

A. It is under Rs. 13 for Java whites at the seaboard.

6851. *Q.* What is your production price? About Rs. 9½?

A. We cannot produce under between Rs. 10 and Rs. 11.

6852. *Q.* In the matter of qualities, your qualities compete directly with Java sugar?

A. Yes.

6853. *Q.* Is the quality absolutely the same?

A. Yes.

6854. *Q.* But there is a lower quality of Java sugar?

A. Yes.

6855. *Q.* Brown Java sugar is practical dead?

A. There are still large imports. It is mostly crushed up and mixed with *Desi* sugar. There is a big trade in these mixed sugars.

6856. *Q.* But that is a very quantity. It is not a serious factor in the trade?

A. The Indian refiner is individually a small unit, but in the aggregate a large quantity of sugar is made by indigenous methods.

6857. *Q.* At the present moment in refining sugar, you must have so many bye-products.

A. Yes, chiefly molasses.

6858. *Q.* Have you got an outlet for using the whole of that?

A. The present situation is largely bound up with the temperance movement. We have two big distilleries, and of course the consumption of country spirits has gone down enormously. Whether that is going to recover or not, we cannot say. At the present moment, the situation is very serious.

6859. *Q.* It is largely on account of the temperance movement?

A. Yes.

6860. *Q.* Apart from distilleries, are there other outlets?

A. Molasses are largely used in the manufacture of *hooka* tobacco. There is no doubt that the use of the *hooka* has decreased as the result of the increase in cigarette smoking.

6861. *Q.* If you could get a material improvement in bye-products, you would be very materially assisted?

A. Yes. We ought to use molasses for cattle feeding but generally the owners are too poor to afford any special food for their cattle. It is largely used in the United Kingdom as food for cattle.

6862. *Q.* Could you tell me to what extent countervailing duties were at one time used to assist the trade?

A. They could not ascertain the indirect aids.

6863. *Q.* In those days the industry does not seem to have required Protection beyond the countervailing duties?

A. You must remember that the whole situation was different in those days. Japan had not begun to be a direct producer. She was only a refiner in those days. She took an enormous proportion of the Java crop. Then she started growing cane, and I think she has a production of some 300,000 tons of direct sugars. That cut out the Java sugar from the Japan markets and Java practically took the place of the continental beet root sugar in the Indian market.

6864. *Q.* There is already the risk of beet root sugar coming back?

A. It is a question of organization and exchange. One would counteract the other. If they were organised, the exchange would not be what it is. But when the export trade revives, these sugars will first go to satisfy the demand from the Levant and the Near Eastern Markets.

6865. *Q.* You said as far as you know that Java sugar is not bounty fed sugar.

A. We have never heard of it.

6866. *Q.* Is it built up on a system of Kartels in any way?

A. Quite recently producers in Java have formed themselves into a selling trust to contest prices. They have no domestic market practically, compared to what Germany has. Practically all the sugar made goes out of the country.

6867. *Q.* What is their alternative market to India?

A. The Far East.

6868. *Q.* They did not get to the European markets?

A. They got to England during the war and have supplied largely to the Levant and the Near Eastern markets.

6869. *Q.* In normal times they do not go there. Their market is practically an Eastern market?

A. Yes.

6870. *Q.* One of the ways in which the industry was assisted in Austria is by the remission of the canal dues?

A. We found out that one of the ways in which they were doing it in Austria was by a rebate on the canal dues.

6871. *Q.* You mean Government paid the canal dues.

A. Yes.

6872. *Sir Montagu Webb.*—*Q.* India is the largest sugar growing country in the world?

A. No. Cuba.

6873. *Q.* Is there more sugar in Cuba?

A. Another million tons.

6874. *Q.* I am talking of growing, not refining?

A. Yes, I am talking of production.

6875. *Q.* I suppose India must be the largest consuming market in the world.

A. The United States, I should think.

6876. *Q.* With a colossal market and with the advantages which you have mentioned in your answer to Question No. 44, it seems to me very extraordinary that it should not be possible to sucessfully develop the sugar industry in this country, I mean the refining industry, without the aid of a tariff. I think you just mentioned that there is no tariff aid in Java.

A. No.

6877. *Q.* What is the real difficulty here?

A. It is agricultural, and also the fact that the crop under the existing land tenure system is scattered.

6878. *Q.* What is the agricultural difficulty exactly?

A. The low fertility of the soil, climate, short growing period. The crop does not grow in the cold weather. It does not grow in the hot weather, and thus it is crowded into the remaining few months instead of the process being gradually spread over 9 or 10 months.

6879. *Q.* That is the climatic difficulty?

A. Yes.

6880. *Q.* That is in the north of India only?

A. Yes.

6881. *Q.* What about the south of India?

A. In Java they have a much more suitable climate even than the south.

6882. *Q.* What about Sind?

A. It is very dry I understand and also very cold.

6883. *Q.* Not so cold as the north of India, surely. Cannot the fertility of the soil be improved in any way by scientific cultivation and manuring?

A. Yes. We are again very badly off as regards the supply of manures, except where the soil is enriched by salt from the rivers.

6884. *Q.* From the evidence which you have already given us, it sounds as though it is almost questionable whether it is worth while to develop this industry if it has permanently got to be protected by a 33 per cent. tariff. It looks as if we are, so to speak, flying in the face of nature and trying to refine sugar at a place where it really cannot be done economically. On the other hand, with these difficulties known, it seems to me that many of them might be overcome without the aid of a tariff.

A. You cannot overcome the climate in this part of India. It has been suggested that the industry should go down to the south. But there you are, of course, under a disadvantage. You are going away from your markets. The greater consumption of sugar is in the north.

6885. *Q.* Will the industry be more handicapped by being further from the northern markets than, say, the Java industry is handicapped, which has to send sugar 4 or 5 times the distance?

A. Steamer freights from Java were very low before the war.

6886. *Q.* Competition from abroad is only in the refined sugar?

A. Yes. We used to import about between 700,000 and 800,000 tons annually.

6887. *Q.* I understood you to say that the present tariff may be effective when prices are stabilised. Why do you want a high protective duty?

A. My personal view is that it is the principle of the thing which we as an industry would like to see far more than an actual duty of 15, 20 or 25 per cent. If the principle of protecting the industry is accepted, that is what is going to be of value to us in developing the industry. That is how the beet sugar industry was reared behind an industrial tariff wall and it was the best organised industry in the world.

6888. *Q.* Do you think that these agricultural developments which you consider necessary would be encouraged by the incidence of the tariff?

A. You mean the Government scheme? I think so. I think Government would wish to carry the industry with it.

6889. *Mr. Coyajee.*—*Q.* You do not admit the dictum of the Sugar Committee that any increase in the duty might result in bolstering up an inefficient industry to the detriment of the consumer?

A. No. I think if we are an inefficient industry it is because we have had no State assistance.

6890. *Q.* What percentage of Indian refined sugar is made by those well-equipped factories?

A. It is very small at present. The bulk of the Indian sugar of course is made in the form of raw sugar.

6891. *Q.* During the period of the war when sugar prices ranged high, was there any large extension of sugar cultivation or manufacture in India?

A. I do not think the area increased but production went up from 2,182,000 tons in 1914 to 2,600,000 tons in 1920. Production would have increased more if the number of factories could have increased, but we could not get machinery.

6892. *Q.* A certain expert said that in view of the difficulties of cultivation, land tenure, organisation and manufacture in the industry, even with 100 per cent. we would be helpless.

A. I think that is a very extreme view to take.

6893. *Q.* You have already said that in view of the uncertain and abnormal conditions of prices and production of raw sugar, the present is an inappropriate time for settling the exact figure of the tariff.

A. I think so.

6894. Q. Another view has been put before us. We have been told that the 15 per cent. duty has prevented the importation of brown Java sugar below 16. Is that your view?

A. I do not know much about this sugar, but it is the grade which would be imported for the purpose of crushing and mixing with country made sugar. I think it probable that they are not making so much of browns in Java as before. They are making more whites now.

6895. *Q.* In your answer to Question No. 56 you say, "In view of the extremely high level of prices the increases in the tariff in and since 1916 did not benefit the Indian sugar industry to any appreciable degree." But now that the prices have gone down the 15 per cent. duty would have a much more protective effect?

A. Yes.

6896. *Q.* In your answer to Question No. 60 you observe, "A protective tariff must essentially be scientifically varied with the degree of Protection necessary for its purpose." Now looking to the enormous fluctuations of prices which are ruling in sugar, a protective tariff would have to vary its rate very frequently?

A. Of course you do not want to go on changing the tariff too often. But I believe that the United States have altered their tariff very frequently to meet changes in trade conditions.

6897. *Q.* So sugar is an industry in which you would have to vary the protective tariff pretty frequently?

A. I should think so.

6898. *Q.* In your answer to Question No. 50 you propose a rebate to countries within the British Empire, that is, to Mauritius?

A. Yes.

6899. *Q.* If the preference is given, would you say that it would not hurt the Indian manufacturer? Can he compete with Mauritius?

A. I think we can compete with Mauritius, because the preferential duty would be just enough under my scheme.

6900. *Q.* Would it affect the consumer?

A. That would depend on whether Mauritius could control the Indian market as regards price. I do not think she is large enough to do that, Java would continue to control prices in India.

6901. *Q.* Therefore preference would not hurt either the manufacturer or the consumer in India?

A. No.

6902. *Mr. Rhodes.*—*Q.* In connection with the question of Mauritius sugar, do you think it is likely to be attracted to New Zealand by the fact that they have just put an embargo on non-Empire sugars?

A. I suppose that will divert Mauritius sugar to New Zealand.

6903. *Q.* It would help you in raising the prices of Mauritius?

A. Yes.

6904. *Q.* In answer to Question 1, you talk about a scientifically framed tariff. I understand you don't want Protection now so much as you want the principle of Protection to be recognised, so that it may be used if necessary?

A. Yes.

6905. *Q.* What do you mean by "scientifically framed?"

A. I mean framed to suit India's trade conditions. Where competition was found to be affecting an industry, the tariff should at once be examined. If it was found the other way, the duty might be lowered. I mean to say that it should not be in any way a hard and fast duty.

6905 (*a*). *Q.* What would you regard as a scientifically framed tariff for the Cossipore sugar?

A. They, of course, would like to have the conditions of the United States tariff, a drawback on the raw sugar. In the United States, a refiner gets a drawback of 50 per cent. of the duty on raws, so long as he works up to his capacity and goes on refining. That is what I imagine Cossipore would like.

6906. *Q.* How would you look at that?

A. You probably know the class of sugar they manufacture. That would not affect us very much.

6907. *Q.* Do you think the differences between you and Cossipore could be met in that way?

A. I think so. Cossipore will probably ask for a drawback on raws.

6908. *Q.* You are protected now in Cawnpore by your distance from the sea and the nearness to your market?

A. Yes.

6909. *Q.* You would want further Protection so that you may find consumers nearer to the coasts?

A. Yes. We do not go eastwards very much. We go mostly westwards.

6910. *Q.* Because of the presence of the Java sugar?

A. Yes.

6911. *Q.* The effect of the duty would be to extend your range further east?

A. Yes.

6912. *Q.* You have at the present moment an effective tariff, 30 per cent. against 33 which you ask for?

A. That is owing to the tariff valuation.

6913. *Q.* Do you think that it is having any material effect?

A. It has not stopped prices falling.

6914. *Q.* Why are prices falling?

A. Heavy stocks and bad trade.

6915. *Q.* So that without that 30 per cent. the position of the industry would be in a perilous position?

A. I think the position of the industry would be critical.

6916. *Q.* It would prevent your carrying on?

A. The important point is that the low level of prices is going to affect the cultivation of cane. I do not think the Commission need look only at the manufacturers. You have got to look at the whole Indian industry. It was the menace to the cane crop which induced the Government of India to impose countervailing duties. It was not to save the few scattered large concerns. It was to save the enormous indigenous industry.

6917. *Q.* We have been told a great deal about the scarcity of wheat and the desirability of encouraging wheat cultivation. Do you regard these lands as better devoted to wheat or sugar cane?

A. You must have a rotation. You can only grow sugar cane once in three years.

6918. *Q.* Do you rotate with wheat?

A. Not necessarily. Oats and barley and other things.

6919. *Q.* If you grow cane once in three years, you can produce wheat in the other two years?

A. Yes, and because sugar cane is a heavily manured crop, there is always a residuum of manure left in the soil. That is why we can always get very high rents for cane lands.

6920. *Q.* As regards the question of the duty, you think that it ought to be constantly changing?

A. I only mean that whoever is going to look after these things will have to move Government either to raise it or to lower it as may be necessary.

6921. *Q.* Constantly changing duties are not welcomed by manufacturers. They will never know where they are?

A. You cannot do it so frequently as once in six months. I think we might do it every year if it was found necessary.

6922. *Q.* On this question of tariff valuations in sugar, they are of very great advantage to you now. Whereas before it was 15 per cent., now you have got 30 per cent. But I suppose at another time it might be equally disadvantageous.

A. If the market had gone the other way, of course the duty would have been halved.

6923. *Q.* Do you really advocate tariff valuation or would you prefer to go back to the general idea of *ad valorem*?

A. You mean quantitative duty or *ad valorem*?

6924. *Q.* Tariff valuations are based on the average of the last three years. *Ad valorem* is based upon the prevailing market value.

A. It is more, I think, the merchant who is concerned in such a problem.

6925. *Q.* You pointed out that if the price had gone the other way, the duty would have been 7½ per cent. You would want to know where you were?

A. We would of course be hit by the alteration in the market price, but we would not be hit to the same extent as the merchant.

6926. *Q.* The merchant will not be hit at all, because he can pass it on to the consumer. The point is whether Java, by bringing in sugar at 7½ per cent. duty, would not hit you hard.

A. Of course if the price is reduced to this extent.

6927. *Q.* So the question is whether you would not in that case prefer *ad valorem*?

A. In the old days prices were subject to comparatively small variations. You never had these tremendous fluctuation in prices. If you take the average for a period, when there is a tremendous convulsion of prices, of course it is bound to affect trade.

6928. *Q.* You realise that next year the tariff valuation will be very much lower.

A. Yes.

6929. *Q.* With regard to the question of imported machinery, I would like to know whether a general rise in the tariff would seriously affect your industry by making you pay more for what you import?

A. Yes, if you put a high duty on machinery.

6930. *Q.* I believe the manufacturers of machinery would very much like to have their industry encouraged by a duty?

A. Any great rise, of course, is bound to affect us.

6931. *Q.* Your import of stores and machinery is not a very great part of your trade?

A. Machinery would be an important item when a new factory was put up. And a duty of 15 per cent. would be a very serious item in a plant costing about £200,000 or £300,000.

6932. *Q.* Do you think it sufficient to stop people going to put up a new factory?

A. I would not go as far as that. I do not think that it would stop an enterprise. But of course it would affect the capitalisation of the undertaking. You have to get more money raised.

6933. *Q.* And therefore it is a less attractive proposal?

A. Yes. That is a disavantage.

6934. *Q.* It would not actually be a check to enterprise. It might put a brake on it?

A. No. It would not actually be a check.

6935. *Mr. Mant.*—*Q.* To pursue this question of tariff valuations, if the price of sugar had doubled instead of halved, then the duty would be equivalent to only 7½ per cent., and the price which you would have got would be 4 times the present price. I cannot see how it would hit you.

A. The incidence of the duty would have gone down.

6936. *Q.* Quite so, but the price itself would be so high that you would really be much better off than you are now.

A. Yes.

6937. *Q.* With regard to the question of dumping, you say that the sugar industry requires special protection against dumping. You suggest legislation on the lines of the Canadian tariff against dumping. I gather from previous references that it is only the Kartel system that you have to fear. There was an Act passed in 1904 to deal with this?

A. Yes. I do not think Java could ever embark on that system.

6938. *Q.* You only fear for the future, that there might be a revival of dumping?

A. Countervailing duties are all right so long as you can determine what the bounty is.

6939. *Q.* You are aware that that Act is still in force and presumably it can be put into operation again if the necessity arises?

A. Yes.

6940. *Q.* So, there is realy no present necessity for this legislation?

A. No.

6941. *Q.* In the case of refineries importing raw material, you suggested that they might be given a rebate on the duty paid on the raw material.

A. That is probably what will suit them.

6942. *Q.* Would it be possible to differentiate in the duty between the sugar of higher grades and the sugar which forms this raw material?

A. Yes.

6943. *Q.* Do you want protection against that raw sugar?

A. This is the grade of sugar which is being used for the improper purposes of mixing.

6944. *Q.* Why do you call it improper?

A. Because it is repacked in order to deceive the public. This raw Java is crushed and mixed with the country made sugar and the sugar is re-bagged so as to resemble country made sugar. It is very difficult to discover the people. They get better prices for it.

6945. *Q.* It is the policy of most countries when they have a manufacturing industry to allow the raw material to come in free?

A. That is what the United States do in the case of raw sugar coming from Cuba. The refiner has got to work up to his capacity and has to go on refining, and then he gets a draw-back.

6946. *Q.* So you have a precedent for what you suggest?

A. Yes.

6947. *Q.* Among the advantages of the sugar industry, you say raw material is available in the country. Is it not the fact that the difficulty of your industry is in getting a regular and adequate supply of raw material, apart altogether from the short season and the unsuitability of the cane?

A. In the last two or three years under the operation of favourable prices, we have been able to pay high rates for cane and we have had no difficulty in getting full supplies.

6948. *Q.* You have got your own plantations?

A. Yes but on a small scale. We could fill our factories twice over in recent years. The main difficulty is about the quality of the cane. What I meant was that we do not have to go to foreign countries to purchase our raw material. That is an advantage.

6949. *Q.* I thought you meant more than that.

A. We are self-contained as regards the raw material, and as regards the markets for all the goods we make, *i.e.*, we do not have to go outside except as regards stores and machinery.

6950. *Q.* You have to get your raw material fresh?

A. Yes. Transport certainly presents a difficulty.

6951. *Q.* The next difficulty is high price?

A. Relatively high price. Even at the rate we can offer him to-day, it is a paying crop.

6952. *Q.* You were on the Sugar Committee,—at any rate, you took part in the discussion?

A. During part of the tour.

6953. *Q.* I do not know whether you formed any conclusions as to the effect of the import duty on sugar on the price of *gur*. You said that the great mass of sugar produced in this country is consumed in the form of *gur* or jaggery.

A. It is also the raw material for the Indian refined sugars. The Indian refined sugars would be affected perhaps very directly by world prices, and if there is a fall in world prices, that brings down the price of Indian refined sugar, and this fall in the price of refined sugar will bring down the price of the grades of *gur* used for refining, and that would react on the supply of cane. That is as regards the grades of *gur* which are made into these various refined sugar. But eating *gur* has a separate market of its own. These *gurs* do not fluctuate to the same extent as what we call refined sugars. When refined sugar was at a very low rate, eating *gur* was selling at a very special price. These *gurs* are sweetmeats and they are eaten in the form of *gur*.

6954. *Q.* You cannot say whether the high protective duty on sugar would affect the eating *gur*?

A. I cannot say.

6955. *Q.* It is a very important question, because your production of refined sugar is very small compared with the amount consumed in the country. If you raise the price of *gur*, you are taxing an enormous number of consumers for the benefit of a comparatively small industry.

A. Yes. We did not come to any specific conclusions, but we were able to satisfy ourselves that the prices of eating *gur* and sugar do not vary to the same degree. They have got their own markets. The price of eating *gur* was recently very nearly as high as sugar.

6956. *Sir Maneckjee Dadabhoy.*—*Q.* You said in answer to the President that on the field side you are a long way behind?

A. Yes.

6957. *Q.* Has your Association any concrete proposals in that direction?

A. We made them to the Sugar Committee.

6958. *Q.* What are they? Will you summarise them?

A. We want a much larger agricultural staff to be devoted entirely to sugar.

6959. *Q.* You mean for imparting technical knowledge?

A. On the agricultural side for demonstration purposes and research purposes. There should be an increase in demonstration farms and a scheme for village demonstrations in growing improved varieties of cane and introducing better methods of cultivation. Then as regards the spending of money only a very small amount of money is spent every year on sugar.

6960. *Q.* You want that amount to be increased considerably?

A. Yes.

6961. *Q.* Have you also any scheme for recasting land tenures?

A. I know it has been suggested that you should force a man to give up his field and take another one in exchange somewhere else in order to consolidate the blocks, but I believe that to be impossible.

6962. *Q.* Any other method?

A. If you can get the cultivator interested in the undertaking itself, it would be good, but that is a difficult matter.

6963. *Q.* Has your Association any views as regards compulsory acquisition of land?

A. No, I think it is an impossibility in the present state of affairs.

6964. *Q.* You must have only voluntary inducement?

A. Yes.

6965. *Q.* What inducements would you suggest?

A. You might provide irrigation and get the man to accept other lands in exchange.

6966. *Q.* Have you got any scheme for compulsory leasing?

A. I do not think it is advisable.

6967. *Q.* Do you think that at present there is a community of interest between the grower of cane and the manufacturer?

A. We have got two systems in force: one by which we pay the grower something more than what he would get if he converted the cane into *gur* and another system by which we give to the grower a proportion of the value of the sugar made above a certain limit. That is a sliding scale based on the selling price of the company's sugar, and the grower and the producing company share equally over a certain minimum. That is, in a way, a co-operative system.

6968. *Q.* Any other suggestion to promote this co-operation?

A. Another way is to get the man to directly share in the undertaking, *i.e.*, to become a shareholder. But the cane growers are so numerous and relatively so poor that I do not think it is feasible.

6969. *Q.* Your Association was examined before the Sugar Committee, I understand. Did your Association place before it this proposal for a 33⅓ per cent. duty?

A. Mr. Ryan (who appeared along with Mr. Shakespeare). What we said was not less than 20 per cent.

6970. *Q.* Can you give any reasons why your Association within such a brief time have changed their amount from 20 to 33⅓? Have you any reliable data to work upon?

A. (*Mr. Ryan.*) I am not at present for a definite percentage. What we want is the promise of encouragement to the extent necessary.

6971. *Q.* You want an acceptance of the policy of Protection by Government and a promise of Protection to your industry to the extent necessary?

A. Yes.

6972. *Q.* But is not that acceptance of the policy involved in the increase of the duty from 10 per cent. to 15 per cent.

A. (*Mr. Ryan.*) But that is stated to be imposed purely for revenue purposes. What we want is that those who are expected to put money in the industry should do so behind a protective wall.

6973. *Q.* What you want is a pronouncement of the Government that the present 15 per cent. will be hereafter a sort of protective duty for the purpose of developing this industry?

A. (*Mr. Ryan.*) In April 1919 we wrote to the Government of India and asked for a declaration. We did not specify the amount. What we wanted was a declaration that the duty would be imposed for protective purposes.

6974. *Q.* Could you expect the Government to give that declaration for any indefinite period?

A. (*Mr. Ryan.*) It need not be indefinite, but we expected it to be continued for some years.

6975. *Q.* You think it ought to be for some fixed period?

A. (*Mr. Shakespear.*) Yes.

6976. *Q.* Do you think that will really induce more capital to pour in?

A. (*Mr. Shakespear.*) It may induce the industry itself to do more in the direction of research and improvement than it has done at present. As it is, there has not been the slightest inducement for the industry to expend money on improving itself.

6977. *Q.* If Government gave the promise for a fixed period, do you think capital will pour in?

A. It will.

6978. *Q.* I want to clear up your answer to what Mr. Mant asked you about this *gur* industry. If you put this 33⅓ per cent. duty or 15 per cent. duty, it will really affect the large mass of people in this country who use ordinary *gur*: they will have to pay increased prices for their *gur*?

A. Sugar and *gur* are controlled entirely by different sets of conditions. They have two markets, except to the extent that *gur* is the raw product of the refining industry. *Gur* is affected most of all by the greatest factor of the monsoon which will influence the price of *gur* far more than any duty. It is the monsoon that determines the area which is annually put under the crop.

6979. *Q.* What are the conditions in your province?

A. We have got a refinery here and we buy about six to seven lakhs of maunds of *gur*. The price of this *gur* would be affected by the tariff.

6980. *Q.* Has this 15 per cent. duty affected the consumers of *gur* in your part of the country?

A. The prices have been so high that I think the duty was a minor factor. The fluctuation of the duty between 10 and 15 per cent. has not been felt owing to the abnormal prices. I think it will be felt when prices become normal.

6981. *Q.* Speaking about countervailing duties in answer to Sir Edgar Holberton you said that it was not possible to ascertain the indirect benefits. I would like you to develop this a little.

A. We made enquiries, I remember, through the Chamber of Commerce. The Consular officers were requested to try and work out what these indirect benefits amount to, but it was very difficult to collect any reliable information because it was done through these organisations, these *Kartels*, and they naturally kept their operations secret.

6982. *Q.* So that information is not available?

A. Government had to guess what the indirect bounties amounted to and to make a covering duty.

6983. *Q.* I want to be clear about your views on Imperial Preference. In answer to Questions Nos. 35 to 37 you say " Imperial Preference, if judged solely in its relation to the indigenous sugar industry of India, would be a disadvantage.' So, I gather that your view is that Imperial Preference is not going to benefit India pecuniarily?

A. That is considered from the point of view of the sugar industry, from a selfish standpoint.

6984. *Q.* It may be selfish, but it is not going to benefit India?

A. I do not think it would benefit the sugar industry.

6985. *Q.* Later on you say, " But when the general good of the Empire is considered, the sugar industry cannot resist the claims of Imperial Preference."

You therefore only recommend it from a sentimental point of view? The ordinary principle involved in the question of Preference is that you give preference when you get something in return.

A. I cannot say our industry would get anything in return.

6986. *Cancelled.*

6987. *Q.* So, you would not seriously recommend Preference when you wont't get anything in return?

A. I won't recommend it on behalf of the sugar industry.

6988. *Mr. Rhodes.*—*Q.* You know that the indigo, tea and shellac industries have a cess amongst themselves on the exports which enables them to do their own scientific work and development. What they evidently think is that it is better under their control than under Government. In the sugar industry, of course, there is no cess on your own production, because there are no exports. On the one side is the general inefficiency of the industry and on the other side is the high import duty. Which will suit you best, a 5 per cent. import duty to raise prices generally, or a 1 per cent. duty which would be handed over to you for scientific investigation and for the encouragement of the industry?

A. We have not got a private organisation at present to cope with a scheme like that.

6989. *Q.* Could you develop it?

A. We could employ limited funds, but the modern concerns are small in number.

6990. *Q.* Your Association is not so organised that it could do what the tea and indigo industries have done?

A. The tea industry has been very well organised for years; the indigo industry is in a way larger than we are.

6991. *Q.* Then, in preference to what I have suggested, would you prefer that the Government should do it themselves?

A. We say we are quite prepared to be taxed. We would be prepared to contribute.

6992. *Q.* But not to control?

A. I do not think we could control at present. The idea is that the industry would be represented on the Sugar Board which is the body that is going to control the organisation. But we have no organisation to administer a fund like that.

6993. *Q.* Would you like to have a high import duty for protective purposes, or a smaller duty which would be applied to the development of the industry?

A. I think it is more important to carry out the scheme than to put the duty up. It is more important that we should have funds to spend on the development of the industry.

6994. *Sir Montagu Webb.*—*Q.* Have you felt any competition from Egyptian refined sugars?

A. That comes in small quantities to Karachi and Bombay. We have not felt it.

6995. *Q.* Would you extend your preferential duty to Egypt?

(President.) There is no use pursuing it. He has said Imperial Preference would do no good to sugar.

6996. *Q.* I did not follow your reply to Mr. Rhodes. I understood his question was that instead of levying an import duty of 15 per cent. supposing Government only levied a 3 per cent. import duty and handed over the funds to you, and you lost the 15 per cent. Protection in consideration of it—would you prefer it?

(Mr. Rhodes.) I did not say 3 per cent.

A. My reply was that instead of recommending a further increase in the tariff, we would sooner have funds not handed over to the industry, because we have not the organisation to spend it,—but funds taken over by Government and used for improving the industry.

6997. *(President.)* I take it that the revenue derived by the Government by the imposition of the tax should be partly used for the purpose of rendering expert and other assistance to the industry?

A. Yes.

6998. *Q.* Then there is one more important point which I should like to ask. You said that in Java the manufacturers grew their own cane, while in India most of the factories have to buy the raw material and do not grow the cane themselves.

A. The Sugar Committee state: "The success of the sugar industry in Java is undoubtedly largely due to the possession by the factories of entire agricultural control over the leased land which supply them with cane."

6999. *Q.* Therefore, if the sugar industry had means in India of possessing land, we need not say whether by lease or by ownership—and carrying on their own agricultural operations, it would be to their great advantage? They could then control agriculture?

A. I am not satisfied that it is a very good thing for the manufacturer to raise the crop himself: I would rather see it raised by another agency so long as it is under control.

7000. *Q.* What would be the economic results of the joint operation of agriculture and manufacture combined?

A. You are increasing your risks. In Java they have no climatic risks at all: they know what the season is going to be, and it is only a question of taking precautions against disease. They have not to face what would happen to us in India if the monsoon failed.

7001. *Cancelled.*

7002. *Q.* That is in regard to those areas which depend for their water-supply on rain. But a large number of irrigation works have been constructed and are being constructed which would convert ordinary land into good cane growing land. Could not such lands which have the advantage of irrigation be owned by factories for carrying on the joint operation of growing cane in irrigation land and manufacturing sugar? They would then be in a better position than those who have to buy the raw material? We have in Bombay at least one company,—and a second one is under consideration,—which has acquired or leased very large areas—I believe it is 6,000 acres, and they propose to carry on the joint operation of growing cane and manufacturing sugar.

A. And they have got to carry on other crops as well by rotation. It is a very ambitious form of enterprise.

7003. *Q.* How would the two industries fare? The one in Bombay carrying on the joint operation of cane growing and sugar manufacturing, and the other, a sugar manufacturing enterprise merely manufacturing sugar and relying for its raw material upon the private agriculturist?

A. Surely, it depends upon the cost of raising the crop under the two systems and the yield of cane under the two systems. I think the Bombay system will be found to be far more expensive, but if they get the yields which they expect, then I think it would be a great success. There is however a heavy risk to take.

7004. *Q.* This is the point I was really wanting to find out: whether protection to the industry should be by means of a tariff only which penalises the consumer more or less, or whether the acquisition of land for carrying on the joint operation of agriculture and manufacture would not be conducive to the establishment of the industry on a more satisfactory basis and save the consumer the burden of all the higher tariffs that you need?

A. There is no doubt that the factory with its own land is in far the safer position of the two except in the matter of the crop risk, because we have no control over the supplies of cane and they can be reduced at any time.

7005. *Q.* If that would contribute to the establishment of the industry without having to raise such high tariff walls, it will be an advantage to the country?

A. I think it would be most excellent if it is brought about. There is no doubt that it would be an advantage to grow cane in blocks.

(Mr. Shakespear was then examined with regard to the brush-ware industry.)

7006. *President—Q.* I should like you to tell us something about the brush-ware industry?

A. We are managing a small joint stock company here. We manufacture brushes practically of all kinds. We are using Indian pigs' bristles, China bristles and French bristles. We use also various kinds of hair and certain fibres. Some of these are imported and some of them come from Southern India, such as the palmyra fibre. We supply a large portion of the Army's requirements. We supply brushes for Railways and industrial undertakings. We manufacture paint and varnish brushes

the manufacture of which has never before been done in India. Most of the Indian Railways are using our paint and varnish brushes. The aggregate of the trade is not very large, there is not a large sum of money involved. We use Indian woods as far as possible. The chief difficulty is to get suitable woods in the country. We are using rose wood, teak, and certain other Indian woods. We import woods like satin and beech. Our chief competitor is Japan outside India. Their craftsmen are very skilful. They do not supply really high class materials, but they have captured the bazar trade in cheap brushes. We cannot possibly compete with them. But we have got a good share of what is called the high class trade of the country.

7007. *Q.* The reason why you cannot compete with them is the fact that you are getting part of your raw material from abroad?

A. No. We have examined their brushes. We have cut them to pieces and tested them. We have tried to work out costs, and I must frankly say that we cannot compete with them in that class of brushes. We can make those brushes, but we cannot give such an attractive article at such a price.

7008. *Q.* Is your price higher because you have to depend on other countries for a portion of your raw materials?

A. We have no supplies of waste wood to draw upon. Most of these brushes (I fancy the German brushes are the same) are made from waste wood, the odds and ends of wood. We have to buy our wood in the log, we have to season it, and cut it up. There is a heavy wastage. I fancy they get the wood practically for nothing. And they are skilful in getting up an article which looks very good but which is really very bad. We cannot compete in the lower class of the trade.

7009. *Q.* Can you make any suggestions which would enable you successfully to compete with this imported article?

A. Put a duty on.

7010. *Q.* A very heavy duty?

A. I really have not gone into the question.

7011. *Sir Maneckjee Dadabhoy.—Q.* Is Government giving any subsidy to this concern in Japan?

A. I cannot tell you. Germany did before the war.

7012. *Q.* Have you any idea of the subsidy?

A. I don't know. But they had a high tariff.

7013. *Q.* Is it particularly due to the cheapness of labour in Japan?

A. I think our labour is cheaper but not nearly so good.

7014. *Q.* You state that there is no waste wood here in India?

A. I mean waste wood from big wood working factories.

7015. *Q.* Can't you get waste wood from furniture shops and other places where they have got waste wood?

A. I do not know what they really do with the waste wood. There must be waste wood, but it is very difficult to collect. You don't get it from saw mills.

7016. *Mr. Mant—Q.* What is your market for these brushes, chiefly Government?

A. Government, Railways and factories. Factories take industrial brushes, and machine brushes are used in the cotton trade. We do not touch the bazar trade very much.

7017. *Q.* There would be a pretty larger market for you in the bazar?

A. Yes.

7018. *Q.* Do you export any brushes?

A. We send high class brushes to England, and they fit them with silver backs.

7019. *Q.* You really make an article which you sell in England?

A. Yes. They are very good brushes.

7020. *Q.* Is there no possibility of developing that trade?

A. Yes. But it is not a very big trade.

Witness No. 48.

Mr. JAGMAL RAJA, Manager, Allahabad Glass Works, Cawnpore

Oral evidence, Cawnpore the 20th December 1921.

[This witness did not submit a written statement.]

7021. *President.—Q.* You are engaged in glass manufacture?

A. Yes.

7022. *Q.* You have got a factory at Allahabad?

A. Yes.

7023. *Q.* Is it a private concern or a joint stock concern?

A. A private concern.

7024. *Q.* How long have you had this factory?

A. Since 1913.

7025. *Q.* You know, I suppose, that some of the glass factories which had been established have had to close down?

A. Yes.

7026. *Q.* Yours, I take it, has been a success, that is to say, it is a paying concern?

A. I lost 4 or 5 lakhs in the enterprise, but I recouped that loss during the war.

7027. *Q.* Your success is really due to war conditions?

A. Yes.

7028. *Q.* Still the conditions are favourable to the success of your enterprise?

A. But now foreign goods are coming in, and we are feeling some trouble.

7029. *Q.* You are afraid that they will cut your price down?

A. Yes.

7030. *Q.* What kind of difficulties have you had to contend with?

A. At present the industry is quite a new one in India. We have to train new men and we have to spend a lot besides. We have to purchase soda and other raw materials for which we have to pay a high price.

7031. *Q.* You import your raw material?

A. Yes, and we have to suffer as the foreign goods are coming in the market.

7032. *Q.* That is to say, foreign goods are coming in the market and they are competing with you and reducing your price?

A. Yes.

7033. *Q.* There is an import duty of 11 per cent. now. Does that give you any protection?

A. In glass?

7034. *Q.* Yes.

A. I think there is no benefit for us.

7035. *Q.* Because it is too little?

A. Yes.

7036. *Q.* Where do you get your raw material?

A. Soda we have to purchase from Brunner Monds and lime and other things from small concerns. We have to import crystals for which we have to pay a heavy price.

7037. *Q.* Where do you get your fuel from?

A. From Jharia.

7038. *Q.* Do You get an adequate supply of cheap fuel?

A. For coal we have to pay the same rate as others.

7039. *Q.* You get your full supplies?

A. Not full at present. There is not enough supply. For my furnaces I get coal for only one furnace.

7040. *Q.* That is to say, you have got three furnaces, but you are only able to work one because there is not an adequate supply of coal?

A. Yes.

7041. *Q.* Why?

A. Because there is no wagon supply.

7042. *Q.* Which is your market for your manufactured goods?

A. Our chief markets are Bombay, Calcutta and Karachi. We have got local markets like Cawnpore, Lucknow and Delhi. I have got to compete with the foreign articles at the ports.

7043. *Q.* What is your cost of transport? In order to compete you have got to carry your manufactured stock from Allahabad to these ports. Can you tell us what your charges are?

A. For sending my things from my factory to Karachi I have to pay Rs. 1-14-0 per maund, whereas from Calcutta to Karachi the rate is Rs. 1-10-0 by rail.

7044. *Q.* By rail?

A. Yes.

7045. *Q.* Are you quite sure of it?

A. Yes.

7046. *Q.* So they carry goods over a greater distance at 4 annas less per maund?

A. The foreign manufactured article is carried all this greater distance at a lower price.

7047. *Q.* Karachi is a port and it can import direct. Why should it get its supplies from Calcutta?

A. No glass comes to Karachi by sea. It must import glass from foreign countries through Calcutta or Bombay.

7048. *Q.* Karachi get its supplies either from Bombay or Calcutta. Is that it?

A. Yes.

7049. *Q.* What are your prospects of continuing your trade in glass now that war conditions have ended?

A. There must be some support. I do not think we can continue like this unless we get support from Government.

7050. *Q.* What sort of support do you want?

A. I want the duty to be fixed at 25 to 30 per cent.

7051. *Q.* What about the consumer?

A. I don't want the duty to be permanently fixed at that rate. I want it for 8 or 10 years in order to organise the industry.

7052. *Q.* Do you think that at the end of that period the industry will be able to stand on its legs without any duty?

A. Within 8 or 10 years I will be able to train efficient labour and will be able to instal machinery and usher in the era of machine production.

7053. *Q.* What are the articles that you produce?

A. At present I manufacture bottles from 1 ounce to 100 ounces, soda bottles, whisky bottles, chutney bottles, chimneys, globes, small medical bottles, etc.

7054. *Q.* Do you find a ready market in India for these things?

A. Yes. There is great demand in India for these things.

7055. *Q.* Are you sending your manufactured goods to other places?

A. Outside India to Ceylon and Rangoon.

7056. *Q.* How does it get there? By railway to Calcutta or Bombay and thence by sea?

A. Yes. But I want again to urge this point. I find that it costs me Rs. 3-8-0 a maund to send my consignment from Allahabad to Bombay, while from Hamburg the same consignment comes to Ceylon and from there to Bombay at a reduced rate, the reduction in the charge being about 8 annas.

7057. *Q.* You are not able to compete with these articles which come to Ceylon and then pay the railway freights to Bombay. Why should these continental countries ship direct to Ceylon?

A. They were obliged to send their consignments to Ceylon only on account of the war.

7058. *Sir Montagu Webb.*—*Q.* Do you think that if you had a 25 to 30 per cent. tax the industry would be able in a short time to stand on its own legs?

A. Yes. I hope so.

7059. *Q.* If you have opportunities to improve it, why cannot you make the necessary improvements now?

A. I find that the labour I train runs away. I want to keep it under control.

7060. *Q.* Why do they go away?

A. Because they get better wages. I want Protection during the transitional period when I have to train my labour and instal machinery.

7061. *Q.* Larger Protection than you are getting now?

A. Yes.

7062. *Mr. Coyajee.*—*Q.* What is the value of the outturn of your factory?

A. About Rs. 50,000 to Rs. 60,000 per month.

7063. *Q.* You have purchased a lot of machinery for your factory. We have been told by experts that some of the machines cost Rs. 15 lakhs.

7064. *President.*—*Q.* That is the patent price.

Witness.—A. I am also in communication with some American firms and I want to instal some more. They wanted for their patent machines about Rs. 2,40,000. The value of two machines was $67,000, and over and above that they wanted 25 per cent. gross royalty.

7065. *Q.* It has been suggested to us by experts that we should make a beginning of Protection in the heavy glass works only and wait until sheet and plate glass begin to be manufactured before placing a duty on them.

A. Some factories are intending to manufacture sheet and plate glass and therefore I see no objection to an import duty on those glasses.

7066. *Q.* But as regards sheet and plate glass, the manufacture has not really commenced?

A. No, not yet.

7067. *Mr. Rhodes.*—*Q.* You import from England soda ash and crucibles?

A. Yes.

7068. *Q.* Anything else?

A. Some small chemicals such as arsenic.

7069. *Q.* What will be the total value of the imported articles?

A. I myself buy about Rs. 50,000 to Rs. 60,000 worth of chemicals a year.

7070. *Sir Maneckjee Dadabhoy.*—*Q.* Where is your factory?

A. At Naini.

7071. *Q.* Is that a proprietary concern?

A. I am myself the proprietor.

7072. *Q.* Have you a ready market here?

A. Yes.

7073. *Q.* Have you any difficulty about blowers?

A. We had at first, but within five years' time we have turned out more than 400 blowers.

7074. *Q.* You are overcoming it?

A. But the trained men are leaving the work. I have got also about 10 automatic blowing machines.

7075. *Q.* You have got automatic blowing machines and that has relieved you to a certain extent. So you are not handicapped for want of blowers?

A. No.

7076. *Q.* About breakages, do you suffer from them?

A. I suffer damages from 10 to 25 per cent.

7077. *Q.* How do your breakages compare with the breakages in foreign countries?

A. The foreign countries sell at the ports, and therefore they have less breakage.

7078. *Q.* Why is your breakage more?

A. The goods are being handled in several places.

7079. *Q.* You say you suffer by the handling of goods. When you send glass to Bombay, do you get your glass goods sent direct to Bombay, or are they unloaded and loaded in several places?

A. When we get full wagons, we can send the goods direct. But if we get only individual orders, not enough to fill a wagon, then they are loaded and unloaded at many places. They take the boxes and throw them down while transhipping. The railway company will not take any care. They throw it like anything. They have thrown all the glass and I suffered a loss to the extent of Rs. 5,000, and when I made a complaint, they said that your risk note is "E" and so we cannot give any compensation.

7080. *Q.* This takes away from your profits?

A Yes

Witness No. 49.

Professor H. STANLEY JEVONS, University of Allahabad.

Written statement, dated the December 1921.

7081. The list of questions for witnesses is very comprehensive and many of the questions are such as to admit of no difference of opinion in the answers of those acquainted with the accepted opinion and the literature of the subject. As two members of the Commission are economists most of the questions can be answered as well by them as by myself. I propose therefore to confine myself to a brief statement of my views on certain of the fundamental questions relating to the fiscal policy of India.

2. *Protection.*—In the arguments for and against protection two important points are often overlooked.

(1 That a protective tariff specially devised and modified from time to time with the object of developing infant industries for which the country is suited and which are not firmly established, is quite a different thing from an indiscriminate protective tariff which places a more or less equal burden on all goods imported.

(2) That no abstract conclusion in favour of free-trade or Protection can be safely applied as a guide in practice. The most advantageous policy for a country to adopt varies according to many conditions of time and place.

3. *Scientific Protective Tariff.*—Economic analysis show clearly enough that a policy of Protection is advantageous to a country if the protective tariff is devised with the special object of stimulating the growth of definite industries which will fulfil the following conditions:—

(1) That the industry already exists in the country, or will certainly be established if the protective duty be imposed.

(2) The natural and human resources are such as to favour a rapid growth of the industry and its permanent success if protection be afforded during the initial period of its growth.

(3) That the industries are not already sufficiently protected by the cost of transport of the commodity produced, *e.g.*, coal mining, manufacture of furniture.

(4) That the commodity produced is not a necessity of the poorer classes, *e.g.*, coarse cotton cloth, kerosine oil, matches.

(5) The industry is subject predominently to the law of increasing returns.

It is obvious that in order to realise these conditions a protective tariff needs to be very carefully devised after full investigation of the conditions of production of each commodity proposed to be taxed. For example, such investigation might very probably show that if a heavy protective duty, say 25 to 35 per cent., were imposed on yarns of high counts and cotton piecegoods containing yarns of high counts above those generally spun in India now, there would be the opportunity of establishing a considerable industry in mule-spinning of the higher counts and of weaving fine fabrics. As the labour needed could only be trained slowly, Protection would need to be continued for twenty or twenty-five years. In this case a protective tariff naturally would need to be very high if there were nothing but the demand for the finished piecegoods to stimulate the growth of long-staple cotton in India. A moderate protective duty (say 25 per cent.) combined with a small bounty to producers on the outturn of approved long staple cotton would probably be the most advantageous way of stimulating the industry from the point of view of national economy as a whole.

This example will serve to illustrate the imperative necessity of investigating every case of a proposed protective duty separately and assessing the duty, with or without a bounty in addition, in accordance with the conditions of demand and supply peculiar to that commodity. Such a tariff can only be gradually built up by prolonged and careful investigations which must be carried on by the Industries Departments of the Central and Provincial Governments. The Industries Department of the Government of India would need a special section for the purpose, to which should be attached experts in technology and economics. A tariff constructed after the manner just described may be called a scientific protective tariff.

In support of the general approval which I give to the establishment of scientific protective tariff from the economic point of view I may refer to the recent opinion of an eminent economist, Professor A. C. Pigou. A passage from his recently published book "Economics of Welfare" Part 2, Chapter II, Section 10 is quoted as an appendix to this memorandum.

The only possible objection to the adoption of a scientific protective tariff is a political one. It is alleged, and with much justification, that when industries have been brought into existence by means of a protective tariff a strong capitalist interest is created which will seek to use political power in the Legislative Assembly to prevent the reduction or abolition of the protective duty even when the industry is well established. It is contended that the interests representing many protected industries would find it to their advantage to combine and exercise political power with the object not only of continuing but also increasing the protection which they enjoy. They would thus destroy the scientific character of the protective tariff, and thus render it more harmful than beneficial. This is certainly a real danger and has happened in the United States. The tariff there, however, was a general indiscriminating protective tariff, and not a scientific tariff. It appears to me that there is less danger of such a situation arising if a policy of gradually elaborating a scientific tariff be adopted, the requisite permanent machinery of investigation being established by the Industries Department and all the results of its investigations and conclusions being published. The public would thus be gradually educated in the real character of the scientific tariff; and would be put upon its guard against the domination of capitalist interests.

4. *General Economic and Geographical Conditions.*—It was stated above that the advantage or disadvantage of a policy of Protection to a country must be judged according to the conditions of time and place. This has been brought out very clearly by Mr. H. J. Mackinder in his book entitled "Democratic Ideals and Realities" to which I venture to refer members of the Commission.

Briefly put my views on this aspect of the question are that free-trade is the best policy of a country in which industries are already highly developed and which depends largely on foreign trade. Pre-eminently amongst comparatively small countries of this kind are England, Japan and Switzerland.

The main argument in favour of Protection for any country embracing a considerable area and population is that diversity of occupation is essential for healthy national growth. The result of the free-trade policy in India has been to destroy more or less completely many of the old handicraft industries rendering the occupations of the people more predominantly agricultural than they ever were before. The economic advantage which countries well advanced in industrial development have already gained, and which will continue to increase owing to the action of the law of increasing returns, would continue to prevent the growth of large-scale industries in India and to force the country to remain permanently an enormous mass of agricultural workers. This is not conducive to healthy national life. Excepting the great ports and one

or two inland industrial towns there are no growing industrial centres. The towns of northern India have been for decades in a state of industrial decay. This has a profoundly depressing effect upon the town life, and hence upon the national life in general, which springs mainly from the towns. A period of industrial reconstruction in India is most urgently needed which will stimulate the growth of new inland towns and the revival of some of the old cities. The buzz and hum of industries, the increased profits and earning of the people, the changed mental outlook which is stimulated by progress and success in one's own immediate locality, would have an almost unimaginable influence upon the national temperament and character. When industries become established, and thriving occupations of various kinds become open to all men, and every man can take up that which suits him best, a ladder of advancement is opened and with it the bouyancy of hope which stimulates to work and enterprize. There is, of course, the risk that the development of industries may bring evils in its train. The character of these evils which accompany modern industrial developments is now well understood through observations of other countries; and it would be criminal negligence to neglect the provision of the proper town planning, housing and general sanitation, and proper control of the conditions of work in factories. This needs immediate attention.

It is not perhaps sufficiently realized that British India is already the largest unit of free-trade in the world, counting by population. In China there are numerous customs barriers and transit duties. Russia is probably the next largest free-trade area and the United States the next largest. India being so large a country, if she were to have a high protective tariff, the consequent development of her internal trade would compensate far more for the loss of foreign trade than would be the case if she were a small country with a population of twenty to fifty millions. It is impossible to contemplate a considerable development of the internal trade of India without a very great expansion of railway facilities. The internal economic development of a country, especially by the improvement of all the public utility services—irrigation, canals, railways, roads and navigable rivers, posts and telegraphs—is an essential condition of reaping the advantage of a policy of Protection.

5. *Imperial Preference.*—The question of Imperial Preference belongs more to the sphere of politics than economics; and it may be that any small loss or gain which might accrue to India in the economic sense therefrom would be more than counterbalanced by political gain or loss. As is well-known the principal commodities of India's foreign trade are such that the economic benefits of Imperial Preference to India or to England or other parts of the Empire by India adopting that policy would not be considerable. So far as India is concerned the benefit of any reciprocal preference agreement might be more than offset by losses caused by heavier burdens placed on foreign trade with non-British countries. It is obvious that as revenue must always be an important consideration in framing the customs tariff, the desire to give preference to goods of British origin might involve an unduly heavy burden on goods of non-British origin.

General considerations of economic geography do not support the view that Imperial Preference would be sound from the point of view of economic welfare. Neither is it clear that if India is to contribute in any material manner to the welfare of Great Britain it should do so by the indirect method of giving a special stimulus to British industries. I do not think that any good case can be made out for India including Imperial Preference in her tariff proposals in the near future. The question would take a different aspect if at some future time through the medium of the Imperial Conference a general system of Imperial Preference amongst all parts of the British Empire were to be elaborated. It might very likely be desirable politically that India should enter such a scheme; but that is not the present issue.

6. *Indian States and the Indian Customs Tariff.*—Attention needs to be directed to the unsatisfactory position in which the Indian States will find themselves if a general tariff of fairly high duties intended both for revenue purposes and for protection of infant industries is adopted by British India. The incidence of the customs duties on imported goods consumed in the States will fall on the peoples of those States; and it may well be doubted whether they will attain an adequate *quid pro quo*. If it be held that the States should bear their share of the cost of the external defence of India as a whole, it is even then possible that the customs revenue ultimately paid by their subjects may exceed that fair share. This question was reviewed by me in a paper read before the fourth Conference of the Indian Economic Association held in Allahabad about twelve months ago; and I would refer members of the Commission to that paper, three copies of which are sent herewith.

APPENDIX I.

7082. *Extract from "The Economics of Welfare" by A. C. Pigou, Pages 122-23, (Part 2, Chapter II, Section 10).*

"Benefit could be secured by a temporary bounty (or temporary protection) so arranged as to jerk the industrial system out of its present poise at a position of relative maximum and induce it to settle down again at the position of absolute maximum—the highest hill-top of all. This is the analytical basis of the argument for the protection, or other encouragement, of infant industries; and, if the right infants are selected, the right amount of protection accorded, and this protection removed again at the right time, the argument is perfectly valid. Benefit could also be secured by a *permanent* bounty so arranged as to force the industrial system from the summit of the hill-top on which it is found to any position, that overtops its present size, on the slope of a higher hill. The conditions in which interference may be expected to have this effect, rather than that of shifting the economic system to a different position on the hill that it is on already, are somewhat special. But it can be shown that, in certain states of demand and supply, *some* rates of bounty *must* have this effect*.

These possibilities have considerable practical importance. It must be clearly understood, however, that the possible advantage of particular disturbances of, and departures from, existing arrangements that involve equality in the values of marginal social net products affords no argument in favour of disturbances or departures in general. It is true that when the values of the marginal social net products of resources in all uses are equal, *some* disturbances and departures would augment the national dividend. But the *majority* of possible movements would not do this. Any change from a distribution of resources involving equality in the values of marginal net products in all uses, which was not specially arranged with a view to increasing the national dividend would probably in fact diminish it."

APPENDIX II.

7083. *The Indian States and the Indian Sea Customs*—Prof. H. Stanley Jevons, M.A., B.Sc., F.S.S., University of Allahabad.

Not the least important aspect of the constitutional changes which are now taking place in India is the alteration of the financial relations between the Provinces and the Central Government. Broad questions of public finance have been raised in the attempt to give the Provinces financial autonomy; and the settlement arrived at is in its details a compromise, although in its main features it is soundly based upon well-recognized principles of finance. The two great sources of revenue for the Central Government will be the customs and the income-tax, which are both likely to expand as a natural result of the economic development of the country. Both have also considerable elasticity, so that additional revenues can be raised in any time of emergency by a simple increase of the rates at which the taxes are levied. The extraordinary elasticity of the customs revenue, and the temptation which is sure to arise to increase the rates of duties either in the general tariff or on selected articles is causing a good deal of concern to the Durbars of some of the Indian States. It is obvious that, when the Central Government is in dire need of further revenue,

* The shapes of the demand and supply curves and the size of the bounty must be such that, when the demand curve is raised by the bounty, it does not cut the supply curve at any point corresponding to its former point of intersection, but does cut it at a point corresponding to a point of stable equilibrium further to the right than this. This condition can readily be depicted in a diagram.

it is likely to seek relief by the increase of indirect rather than direct taxation; and with the growing independence of the Indian Government from British control the great force which tends to keep customs duties low will be weakened. Coinciding with the need of further indirect taxation there is likely to grow up a demand for the protection of Indian industries. It is not unreasonable to anticipate therefore that we shall find very important changes taking place in the customs revenues of India.[1]

These considerations raise a constitutional issue of the highest importance to the majority of the Indian States; because, as is well-known, they have no part or share in the customs revenue collected by the Government of India. So long as the general tariff was low, this was not a question of any practical importance. The incidence of some of the customs revenues collected by the British Government in India fell upon the consumers in the Indian States; but this might be regarded as no more than a fair charge upon them for the security afforded by the *Pax Britannica*. The increase of the general tariff to 7½ per cent with special duties, such as 10 per cent on sugar and 15 per cent on tobacco, has begun already to give this question a different aspect.

These increases of duties, together with the great expansion of the import trade which has taken place since the termination of the war, have already led to a remarkable growth of the customs revenue in recent years, as is shown by the following figures of import and export duties collected at British Indian ports:—[2]

Year.	Lakhs of Rs.
1908-09	6,89
1909-10	7,04
1910-11	9,50
1911-12	9,21
1912-13	10,23
1913-14	10,79
1914-15	9,02
1915-16	8,32
1916-17	12,51
1917-18	15,50
1918-19	16,40
1919-20	20,42
1920-21	28,26

Political Status of Indian States.

In proceeding with the discussion of the question here raised it is impossible to avoid reference to the political status of the Indian States. This is a very complicated subject, for the relation of every State with the British Government is regulated by a series of treaties made at different times under various circumstances. To gain an intimate knowledge of the political status of all the States is a life study. Moreover, considerable changes are being made in connection with the present constitutional reforms which are not yet fully announced. The States are ranged in several classes according to the degrees of independence which they enjoy. They range from large States like Hyderabad, Mysore and Gwalior, which are in direct communication with the Government of India to the petty States whose chiefs enjoy a limited sovereignty under the tutelage of Provincial Governments. The former are in all essential respects independent Governments, excepting that all foreign relations must be conducted through the British Government, and that the protection of British Law is afforded to British subjects in State territory. On the other hand the chiefs of petty States are but little removed from the status of big landlords with magisterial powers. There is, however, one feature which is common to all the States, except some of those in charge of provincial governments, namely, that they have complete financial autonomy, which extends to the right of levying customs duties on goods crossing their frontiers into or out of their States. The State Governments have their own customs officers who collect whatever duties their Ruler may choose to levy. The only right which most of the States have abandoned by treaty is that of levying transit duties on goods passing through to destinations beyond the State.

The abolition of the transit duties, which took place in most cases prior to 1890 brought the commercial relations of the Indian States with British India and with one another into harmony with the principles well recognized throughout the civilized world. The damage which one country can inflict upon another by taxing goods in transit to it has long been recognized in Europe and elsewhere; and during the nineteenth century the levying of customs duties on goods consigned through to other countries has been almost universally abolished by a very large number of commercial treaties and understandings arrived at between the countries concerned.

Practice in Foreign Countries.

There is still observable in Europe, however, a disposition to avoid reliance upon such commercial agreements. Every country seeks to have a portion of sea coast containing a good harbour within its territory. The struggle between the Balkan States some eight years ago was largely concerned with this; and we notice the importance attached in the Treaty of Versailles and the subsequent settlements to providing newly created States with an outlet to the sea in neutral, if not in national, territory. Poland, for example, has been granted the "Danzig corridor," and the struggle over Fiume was about its allotment to Jugo Slavia as its port. Every country which is surrounded on all sides by land belonging to other countries, or is "land-locked," to use a convenient term, has this problem to face: either it must obtain access to the sea over some route by which its goods may travel free of customs levies and other interference, or it most enter into commercial agreements with surrounding governments providing either for goods to be consigned through to it in bond in sealed wagons, or for the neighbouring countries to collect the customs duties on its behalf.

It will be interesting to study a few cases of land-locked countries by way of illustration of these principles which seem to have been universally recognized. I shall take some cases of foreign countries first, and afterwards a number of cases relating to the British Empire.

In 1893 Serbia had obtained the privilege by negotiation with the Turkish Government of despatching goods through the port of Salonika free of the Turkish customs duties. Early in 1914, after the close of the Turko-Balkan war, a treaty was concluded between Serbia and Greece which reserved the former a free zone at the port of Salonika and the right of erecting warehouses therein for the storage of goods in transit. The Convention provides that goods passing through Salonika shall be exempt from transit or port dues, and that there shall be special railway freight rates on Serbian goods intended for export. In the case of Switzerland goods landed at the ports of France, Italy or Germany for through consignment are put under seal of the customs authorities at the port of landing, and the obligation is laid on the railway administrations of seeing that the wagons are delivered with seals unbroken beyond the frontier. Bolivia is another land-locked country, and its Government has made agreements with Chile and Peru which recognize in favour of Bolivia in perpetuity "the fullest and most unrestricted right of commercial transit" through their territories and ports. Wagons in good repair only are to be used, and are to be farwarded under seal of the customs authorities; and at the inland frontier stations the customs authorities "will verify the condition of the seals." Bolivia is permitted to have its own customs officers stationed at the ports, presumably to watch the interests of the owners of goods consigned to or from Bolivia.

The case of Luxemburg is different, for this country solved its customs problem by entering into the German Customs Union. By this arrangement it received a share of the total customs revenue of the German Empire and territories within the German Customs Union, calculated on the population basis.

[1] The anticipations of this paragraph, written early in December, 1920, were partially fulfilled on the 1st March following, when the Finance Member announced the increase of the general import tariff from 7½ to 11 per cent., the duty on sugar to 15 per cent, on motor cars and other luxuries to 20 per cent, and on cigars and cigarettes to 75 per cent. At the time of sending this to the press there comes the announcement that the Government proposes to appoint a Commission to examine the whole question of Indian Tariff policy. It seems almost inevitable that the growing sentiment will demand the protection of home industries, as every growing nation has done including the British self governing Dominions.

[2] Excluding the excise duties on cotton manufactures and on motor spirit.

British Empire.

There are numerous examples connected with the British Empire; but the most interssting and important as supplying analogies with the cases of the Indian States are those affecting the British Colonies and Protectorates. In South Africa, soon after the conclusion of the Boer war, the various colonies entered into a Customs Convention which provided for a uniform customs tariff at all ports, and for the collection of duties at the ports on goods consigned to the inland colonies. These latter to be credited with the whole of such customs duties collected on goods consigned through to them, save only for a reduction of 5 per cent. at the port of entry by way of allowance for the cost of collection. These arrangements applied also to the various British Protectorates in South Africa. The importer has the option of clearing his goods either at the port or at some inland Customs House. There was an office at Cape Town whose principal function was to trace the movements of goods from Colony to Colony by means of the returns supplied, so as to credit the revenue yielded by each consignment to the Government within whose territory the goods were finally consumed. This arrangement applied also to the various British Protectorates in South Africa. In 1910 the various Colonies were united in the Commonwealth of South Africa; and the Act of Union provided that henceforth the total customs and other revenues of the Central Government should be divided amongst the several States of the Union in accordance with their average expenditure.

With the four principal colonies united to form a union, the various territories and protectorates which had hitherto been included in the customs union remained outside. Several customs agreements were thereupon made to safeguard their interests. In the case of the Bechuanaland Protectorate an agreement was entered into with the Union Government in 1910, and it was agreed that out of the Treasury of the Union should be paid annually a sum bearing to the total customs revenue of the Union in respect of each financial year the same proportion as the average amount of the customs revenue of the Protectorate for three completed financial years prior to the 1st May, 1910, bore to the average amount of the whole customs revenue of all the Colonies and Territories comprising the Customs Union of South Africa during the same period. The proportion thus defined was subsequently ascertained to amount to 0·27622 per cent.

Precisely similar agreements were made on behalf of the territories of Basutoland and Swaziland providing for collection by the South African Union of Customs duties on goods consigned to their territories and the payment to them of a share of the total customs revenue of the Union and of all the territories and Protectorates similarly calculated.

In the case of the Nyassaland Protectorate there is an ordinance (No. 8 of 1906) which provides that all goods in transit shall be free of import and export duties, but that certain wharfage and road dues may be levied on imported goods reaching Nyassaland by river or road and destined to places beyond the Protectorate. A registration fee of 6*d.* per package has to be paid on all goods in transit.

Certain of the British Colonies in Africa are separated from the only available sea-port by foreign territory. In the case of Nyassaland communication with the coast is by steamers on the only navigable river, the Zambesi, at the mouth of which is Chinde, situated in Portuguese territory. Here the Portuguese Government has granted a small piece of land called the "British Concession" where goods in transit for Nyassaland and other parts of British Central Africa are landed free of Portuguese customs. The Transvaal is separated from the eastern coast by the Portuguese Province of Mozambique. A Convention made in 1809 provides that "merchandise of any origin or nationality imported through Lorenzo Marquez and bound for the Transvaal shall be entirely exempt from any charges whatsoever, excepting port and warehousing charges, and the charges now known as "Industrial Contribution." Another provision of this Convention allows for the payment of Transvaal customs duties in Lorenzo Marquez and for their refund if the goods are not ultimately forwarded to the Transvaal.

The Uganda Protectorate is another land-locked area on the east of Africa. The countries bordering it are: on the west the Belgian Congo; on the south the territory that was German East Africa; on the east British East Africa; on the north the British Sudan; and at the north-east corner, across lake Rudolf, Abyssinia. An ordinance of 1902 provides that goods in transit will pay duty on entry into Uganda and a refund will be granted on leaving the Protectorate. When goods which were not declared for transit are exported, three-fourths of the duty paid will be refunded. Again, a free transit agreement was made between the United Kingdom and France with respect to the trade between Morocco and Egypt, passing through British and French territories in Africa. This provides for transit bonds being issued at certain customs stations.

These examples will be sufficient to show that, as regards Africa, the principle has been almost universally adopted that each State has the right to the whole of the customs revenue, wheresoever collected, upon goods consumed within its territory, within allowance only for the cost of collection. In the case of territories bordering on the South African Union a defined share of the general customs revenue has been granted in lieu of a separate collection of duties on goods consigned to the territory.

Special Arrangements for Indian States.

It will now be appropriate to refer to the cases of Indian States in which special arrangements have been made for the assignment to them of the whole or a share of the customs duties collected on goods entering their territories for consumption therein, or for the consignment of goods through in bond. As might be anticipated it is only those States which lie on the sea-board, like Baroda and Porbandar in Kathiawar and Travancore and Cochin in South India which have special customs arrangements; and States beyond British India, like Kashmir, to which goods are consigned in bond.

The ports situated in the Baroda State belong to two classes: (1) Kathiawar ports, (2) ports on the Gujarat Coast; and the rights of the State are different for these two classes. At the Kathiawar ports sea customs are levied by the Government of His Highness the Maharaja Gaekwar, and the revenue realised goes wholly to them. The State is, however, under an arrangement with the British Government that it shall not levy at the above ports duties lower than those prescribed by the British Indian Tariff so as to divert the foreign trade from British ports to the said ports in the Baroda State. In return, the Baroda ports have been accorded the privileges of "British Indian ports," *i.e.*, goods exported from them to ports in British India are exempted from payment of any import duty on arrival at the latter. The State is, however, not under an obligation to forego its own import duties on goods arriving at its ports from British Indian ports.

The Baroda State has two ports on the Gujarat Seaboard, namely, Navsari and Billimora. The sea customs at both of these ports are levied and appropriated by the British Government. For this there is an historical reason, arising from the cession in A.D. 1752 by the then Gaikwar of half his conquests in Gujarat to the Peishwa. It happened that the customs revenues in the districts south of the river Tapti were included in the share of the Peishwa, and later the Peishwa ceded his custom revenues in these districts to the British Government.[1]

Porbandar, which is one of the first class States of Kathiawar, has full control of its own ports and levies its sea customs collected by a staff maintained and controlled by the State. However, in the year 1809 Porbandar ceded half of its port revenues in consideration of some obligation which the State owed to the British Government; and this was commuted in 1853 to a lump sum payment to the British Government of Rs. 15,000 per annum. Goods imported from foreign countries other than British India are assessed with the sea customs duty in accordance with the British Indian tariff, whether they be consigned to Porbandar territory or are passing through to other States or to British India. In the case of goods arriving by sea from British India, State

[1] For this information regarding Baroda Customs duties I am indebted to Mr. V. N. Metha, Diwan of Baroda State.

customs duties are levied; but in order to avoid placing too heavy a burden on trade, and the consequent diversion of traffic from the sea route to the land route, a graduated scale of customs duties is levied upon goods imported by sea to Porbander from Bombay, the duty on each article being reduced according to the distance of the destination inland from the port, until the duty disappears for points at and beyond what has been decided on as "the limit of the port's sphere of influence."[1] The duties on most of the goods shipped coastwise from Bombay are collected by the British India Steam Navigation Company, whose steamers call at the principal Kathiawar ports, according to a through booking agreement between the States and that Company and the Railways serving the ports.

Turning now to south India we find that the State of Travancore which has a long seaboard on the Indian Ocean, and the neighbouring State of Cochin, formerly both had rights of levying such sea customs duties as they might please; but by various arrangements with the British Government measures were taken to remove unnecessary restrictions upon trade. A triple agreement, known as the interportal Trade Convention, which is still in force was entered into in 1865 between the British Government of India and those two States, the principal provisions of which as regards imports are the following:—

(1) Goods produced or manufactured in the territory of any one of the three parties to the Convention pass free of duty into the territory of the other parties.
(2) Goods of foreign origin which have been imported into and paid duty to one of the parties to the Convention pass free of further duty into the territory of the other parties.
(3) Both of the States agree to adopt the British Indian tariff of import duties on goods of foreign origin imported direct.

The Convention applies to import duties on all commodities except tobacco, salt, opium and spirits, on which the States may, and do, levy their own duties. In view of the loss to which the States were subjected in giving up their right of levying import duties on goods taxed by or originating in the territory of British India or the other State, the Government of India pays compensation of Rs. 40,714 per annum to Travancore[2] and Rs. 1,00,000 to Cochin State.[3]

As regards exports from Travancore State, the duty that the Darbar can levy cannot exceed 5 per cent *ad valorem*, except in the case of timber on which the duty may go up to, but should not exceed, 10 per cent. The Darbar generally follows the British Indian tariff valuation, but it recognises no restriction, such as that the export duty can be levid only on the articles that are so dutiable in British India. In all, export duty is now levied on 16 articles, of which the most important are copra, coir, cocoanut oil, cocoanuts, tea, pepper, dry ginger, jaggery, salt-fish, areca nut and tamarind, the first four being the produce of the cocoanut tree.[4]

The export duties of Cochin State are those of the British Indian tariff with addition of a few others; but they are less important than the export duties of Travancore. Cochin, in addition to the guarantee of Rs. 1,10,500 receives half of the import and export duties collected at the port of British Cochin—an important source of revenue.

The import trade of the ports of Travancore and Cochin direct from foreign countries is small, and the yield of the customs collected thereon at British rates is small—usually less than Rs. 20,000 in each case, though perhaps it has increased last year.

[1] This information has been kindly supplied by the Diwan of Porbandar State and the Chief Customs Officer of the State.
[2] The average amount of customs collected at the time of the Interportal Convention was Bh. Rs. 58,218 and the British Government has guaranteed this amount up to Bh. Rs. 40,000; that is say, when the Travancore sea customs collections (on the imports from foreign countries excluding goods imported by sea for the Darbar's own use) are less than Bh. Rs. 13,218, the British Government pays to Travancore Bh. Rs. 40,000; but if, in any year, the collections exceed Bh. Rs. 13,218, the British Government deducts the excess amount from the sum of Bh. Rs. 40,000 and pays the balance only to Travancore. *Administration Report of Travancore State*, 1916-17, p. 26.
[3] And a further Rs. 10,500 in consideration of the Darbar having also surrendered its right to levy an import duty on tobacco.
[4] *Ibid.* p. 26.

The customs revenue of Travancore is an economic curiosity, being collected almost entirely by export duties. The figures for 1915-16 and 1916-17 were:—

	Receipts from Customs Travancore State.	
	1915-16	1916-17
	Rs.	Rs.
Export duty	12,33,107	13,97,150
Import duty collected at the customs houses . . .	69,305	73,620
Amount received from the British Government under the Interportal Trade Convention .	40,714	40,714
Receipts from miscellaneous items	7,509	7,138
TOTAL Rs. .	13,50,635	15,19,322

This lopsidedness is the result of the Interportal Trade Convention which provided for a fixed income in place of what would have proved a growing source of revenue; but without doubt the State has benefited economically by the freedom of import trade.

In the case of territory lying beyond the land frontiers the practice is to consign goods of foreign origin through in bond free of duty from the port of entry (usually Calcutta or Bombay) to a point at some distance beyond the frontier. The procedure used is that of the drawback on re-export, and the goods in bond must reach certain defined stations in foreign territory, *e.g.*, Jammu, Srinagar, Muzaffarabad, or Alibeg. Goods for Leh in western Tibet also go free of duty through British India *viâ* Hoshiapur under Customs seal.[5] A new and important case is that of Mysore. I understand that the Government of India is considering a proposal of that State to open a port at Bhatkal on the Konkan coast and build a Railway there and that the State may be permitted to collect and appropriate customs duties at British Indian rates on goods consigned through to its territory from abroad.

Principles Involved.

Our survey of the practices in foreign countries earlier in this paper led to the conclusion that it is the accepted principle throughout Europe and America, and the vast African territories governed by the European powers, that the incidence of customs duties should fall on the subjects of the Government which realises and benefits by those duties. Another way of stating the principle is that since the incidence of customs duties is, in the case of imports, mainly (when not wholly) shifted to the consumer, and in the case of exports falls largely or wholly on the producer, duties should be levied only in such manner that the taxes may be utilised for public expenditure in the territory where the incidence falls. This theory cannot be realised perfectly in practice; but it is very clear that all taxes in the nature of transit duties are a direct contravention of it.[6] The Government of India has joined in the universal condemnation of transit duties, and has wisely secured the abolition of all such duties which were formerly levied by Indian States on goods passing through their territories to other States of British India.

Yet the sea customs levied by the Government of India at the ports on goods passing to inland States certainly are transit duties on such goods as arrive from abroad and are despatched to any inland state for consumption, when, as in the great majority of cases, the imported goods undergo no process of manufacture in their passage from the landing wharf to the State territory. They are transit duties because the duties collected are credited wholly to the Treasury of the Government which collects them—British India—and not at all to the country of origin outside India or the country of destination, namely the Indian State. Thus the incidence of the British Indian customs falls upon the whole population of India—upon the peoples of the Indian States (with a few unimportant exceptions) as

[5] For particulars regarding Kashmir, and the Hoshiapur-Leh route see *Standing orders of the Calcutta Customs House*, Vol. I.
[6] As regards incidence of transit duties, see Bastable, *Public Finance* Book, IV., Chap. vii, Section 7, 3rd ed., p. 571.

well as on the subjects of British India. Many of the States levy their own customs duties on goods passing their frontiers both inwards and outwards whether the surrounding territory be that of other States or of British India; and the people of such States having their own import and export tariff have to bear the double burden of State duties and British Indian duties on all goods coming from abroad, and on such of their produce as the Government of India may chose to impose export duties, *e.g.*, hides.

The position is, therefore, that the principle universally recognised elsewhere, that the incidence and benefit of any particular customs tariff, should be confined to identical territory, is not acted upon in India. The populations of the States are taxed in aid of the revenues of British India; and any benefits which they may receive from the Suzerain Power which appropriates the sea customs are either a necessary consequence of the existence of that Power, or are an arbitrary gift of its free will, and not in any constitutional sense a *quid pro quo* for the burden thrust upon them. Those exceptional cases of the maritime and transfrontier States which are relieved of a part or the whole of the incidence of the British customs affect a population so small as to be almost negligible—less than two per cent of the whole population of India. Yet the very existence of these exceptions due to old treaties destroys the completeness and symmetry of the present system —its only possible merit—and is wholly repugnant to modern ideas of inter-state commercial relationships.

Methods of Participations by States in British Indian Customs.

If the validity of the foregoing argument be admitted the question arises as to whether the States should be entirely excluded from the operation of the British Indian customs, or whether some arrangement should be made whereby each State would be entitled to some share of the revenue collected by the Indian customs administration. This subject was discussed by Rao Bahadur M. V. Kibe, Commerce Minister of Indore State, in a paper which he read before the last Conference of this Association at Madras.[1] He suggested five different methods whereby the States might receive justice as regards the incidence of the sea-customs; and these I may first recapitulate in a slightly different order, adding comments of my own. His first method was to allow goods coming from foreign countries by sea consigned through to a destination within one of the States to pass the British customs at the port of entry free of duty. The packages would be forwarded by rail in bond under seal of the British customs officers, the railway being under obligation to deliver with seals unbroken at the designated customs station in State territory, where the State would presumably levy its own duty. This follows the precedent of Switzerland, Bolivia, and many other countries. The difficulty is that the States would be bound to levy duties on foreign goods arriving in bond at the appointed stations at rates *not less than the British Indian customs tariff;* otherwise it would be necessary for the Government of India to establish a chain of customs Stations and guards completely encircling the State on its land frontier. The latter alternative would be so costly and harassing that it is unworthy of consideration.

Two other methods suggested by Mr. Kibe are in essence no more than variations in the procedure of the first. Instead of the British customs officials forwarding the goods under their seal, each State might be allowed to acquire a strip of land at the port on which to erect its own warehouse where goods would be taken into bond by customs officers of the State service and forwarded under their seal; or each State might simply rent a portion of an existing bonded warehouse for the purpose. The advantage of this is that it would allow the breaking of bulk and subdivision of consignments received from abroad by merchants of the port town. The State officials would collect at the port docks the States duties on the packages to be consigned under their seal to State territory, and British duty would be paid on the part of the consignment not entered into or retained in the State warehouse.

[1] See *Proceedings of the third Annual Conference of the Indian Economic Association, 1920, pp. 182-3.*

The other variant is to utilize the system of drawbacks already in use for re-exports and for the consignment of goods to Kashmir. The merchant having paid the British customs duty at the port of entry to the British customs officers would have it refunded on taking delivery of the goods at the appointed customs station within State territory. This method would involve unnecessary and troublesome transactions; because merchants having regained the British duty paid would have to pay the State duty, which could not be less than the British duty. Consequently the British Customs authorities might just as well hand over the duties collected direct to the State to which the goods were consigned. This is in fact one of Mr. Kibe's proposed methods. The procedure would be for the British Government to collect at British ports customs at British rates on all goods consigned direct from abroad to a place within the State, and conversely an export duty on goods consigned from the State to any foreign country. The amount so collected would be paid to the State Government, after deduction of 5 per cent. for cost of collection. This will be recognized as the method formerly in use in South Africa which was discarded in favour of the South African Customs Union in which each State and Protectorate receives a fixed share of the total collections.

The method of the customs union is the fifth and last of the possible methods of meeting the situation in India. As Mr. Kibe puts it, the collection of customs would continue as now, but the British Government would pay over to each State a share of the whole customs revenue. Mr. Kibe does not, however, favour the adoption of this method; but would prefer the method of drawbacks, or the collection of duties on behalf of the State Governments on the goods specifically consigned to their respective territories. His reason is that the volume of foreign trade "may be taken as a reliable index of the economic development of a State."

It is apparent at once, however, that the adoption of Mr. Kibe's proposal would involve the loss of customs revenue on goods first consigned from abroad to a point in British territory and then reconsigned to a place in State territory. The only way of avoiding this loss to the States would be by establishing a very complicated system of drawbacks on goods from a British territory to State territory and *vice versâ*. This would reproduce in India the state of affairs which existed in South Africa from 1906 to 1910, which proved so troublesome that it was superseded as soon as possible by the Customs Union; but in India, having regard to the large number of States, the trouble and confusion would be far worse.

The States, therefore, could only expect to be credited with the duties collected on goods actually consigned through to their respective territories from abroad. This would mean that those States which have no entrepot business, and no facilities for importing direct from abroad, would gain nothing by the change. It is true that it would stimulate States to organize amongst their merchants the direct importation of foreign goods; and if any of them were very successful in this they might establish distributing centres which would supply neighbouring British territory, and thus trench upon the revenues of British India. The complications of this method are so numerous that I prefer to advocate the last mentioned method of allotting to each State a share of the general customs revenue of British India, in which would be included the customs revenues collected by the maritime States which now have special privileges. The question of how the share of each State should be determined now remains for discussion.

Basis of sharing the Customs Revenue.

In the German Custom Union the division of the total customs revenue amongst the various States was determined upon the population basis; but the circumstances are so different in India that the application of this method would have unfair results. In Germany, at the time of the formation of the Union, the various States were, broadly speaking, approximately at an equal stage of economic development. The reverse is true in India. Not only is there the greatest divergence between the economic development and earning power of the people in different parts of

British India: there is an equally marked difference between the various States. In some of them agriculture is more productive than in most: for example, in Gwalior and Patiala extensive irrigation systems have been introduced. Some of the States are far more advanced commercially and industrially than others, and with this development has come a higher standard of living and the spread of education, which in a few States is compulsory. Baroda, Mysore, Travancore, Indore, Gwalior and Patiala are well-known as advanced States; and the taxable capacity of their peoples, and the cost of their administrations per head of population are far in excess of those of more backward States like those of Rajputana, or the Eastern States of the Central India Agency. On the population basis, therefore, the backward States would receive revenue not earned by their commerce, or by the consumption of foreign goods by their people; and the advanced States would have less than their due.

The alternatives to the population basis are division in proportion to public revenues or to public expenditure. It may be laid down as a broad general law that the public revenues per head of population of various countries are roughly proportional to the stage of economic development which the countries have reached; for an advanced commercial and industrial system necessarily involves a more costly administration, whilst amply providing the capacity to pay taxes to meet the expense. Throughout the world this is true if the cost of making war, and the burden of war debts be eliminated.

In Western countries public revenue and expenditure are normally so nicely balanced that it would be immaterial which was chosen as the basis of division. Amongst the Indian States, however, this is far from being generally the case. In nearly all States revenue rarely falls short of expenditure, except in years of severe drought; but in some of them revenue greatly exceeds expenditure. This is true even when we include the Ruler's personal and "palace" expenditure—his "civil list"; but it is still more strikingly true, if that be omitted and the cost of the public administration only be treated as the expenditure of the State.

There are difficulties in every solution which can be suggested; but my own inclination is towards the adoption of a distribution in proportion to expenditure on the public administration, including the state army and contributions to Imperial defence and war expenses. A settlement for five years could be made on the percentage which the annual public expenditure of each State, during the preceding four years, has borne to the whole expenditure of all the States and British India, including the Provincial governments, but excluding local authorities. Every five years a new settlement could be effected on the basis of the average annual expenditure of the preceding four years.

Financial Aspect.

If the States are to receive a just share of the sea customs revenue, they may fairly be asked to contribute their quota to the expenditure of the Indian Government from which they benefit. The defence of India from external enemies is the only important item in this category. In the absence of any better criterion we may assume that half the military expenditure is for the maintenance of internal order and half for defence of the land frontiers. The Budget for 1920-21 provided Rs. 59½ crores (converting expenditure in England at 1*s.* 8*d.*) for military expenditure, which is probably close to the normal figure of the future. The revenue from sea and land customs seems likely to expand to about 30 crores in the near future; consequently the debit of each State for Military expenditure and its credit for customs revenue will about balance, if both be shared on the same basis. The States might have some small immediate gain; and if a new policy should augment the customs revenues of India their advantage would automatically increase.

Oral evidence, Cawnpore, the 20th December 1921.

7084. *President*—Mr. Jevons, you are a Professor of Economics in the Allahabad University?

A. Yes.

7085. *Q.* In paragraph 2 you say, "No abstract conclusion in favour of free trade or Protection can be safely applied as a guide in practice. The most advantageous policy for a country to adopt varies according to many conditions of time and place." Your view is that every country should have the freedom to adopt such fiscal policy as appears to it most suitable?

A. Certainly,—as appears to be most suitable at the time.

7086. *Q.* Then in paragraph 3 you enumerate certain conditions necessary for stimulating the growth of definite industries.

A. Those are the conditions which should be fulfilled by any industry that is to receive the aid of a protective tariff. Otherwise, the tariff might be more a burden on the country than a benefit.

7087. *Q.* You advocate Protection for the growing of long-staple cotton and the making of high class piece goods. Do I understand you to mean that you advocate Protection to piecegoods and a bounty to the agriculturists?

A. Yes, for a certain number of years to increase the outturn of American cotton.

7088. *Q.* And you think this is a kind of industry which, from the point of view of national economy as a whole, it is desirable to develop in India?

A. I think so.

7089. *Q.* You deal with the political danger of the adoption of a policy of Protection, and you suggest a remedy to meet that danger. Do you think the remedy suggested by you is adequate?

A. It remains to be seen whether it will prove adequate, but I should be inclined to think so, if the proposed section of the Industries Department worked thoroughly and published the results of its investigations widely.

7090. *Q.* Then you point out certain risks involved in the development of industries on a large scale, and you advocate that certain measures should be taken, the neglect of which would be disastrous to the well-being of the people. Would you advocate these measures,—town-planning, housing, general sanitation and proper control of the conditions of work in factories—to be taken in hand simultaneously with a scheme for intensive development of industries?

A. Yes, certainly.

7091. *Q.* Then you think that to build up the national character it is necessary to provide diversity of occupation?

A. Yes.

7092. *Q.* And you think that it is in the national interests of a country to provide such diversity of occupation by means of different industries in addition to agriculture?

A. Quite so.

7093. *Q.* Then there is one point which you bring out which has not been put before us up to now. That is in paragraph 6.—Indian States and the Indian Customs Tariff. You point out that the incidence of the customs duties on imported goods consumed in the States would be paid by the inhabitants of those States and you say, "If it be held that the States should bear their share of the cost of the external defence of India as a whole, it is even then possible that the customs revenue ultimately paid by their subjects may exceed that fair share." Do you know that the Indian States now claim to exercise fiscal freedom in regard to their territories?

A. You mean in regard to charging import and export duties on goods at their own frontiers? I am quite aware of that.

7094. *Q.* Do you consider that affects their people?

A. It is disadvantageous, because the areas of the States are so small and in many cases their territories are scattered and consequently it is a real hindrance to trade. I believe in having internal trade as free as possible over a large area of country.

7095. *Q.* Therefore the question of Indian States is complicated, having regard to the fact that they exercise fiscal freedom in various directions. Supposing there are protective duties in British India, the Indian States will have, of course, to bear the rise in price to the consumer.

Would that in any way stimulate the establishment of industries in Indian States' territories, and would that be a countervailing advantage to them ?

A. Perhaps in two or three of the States it might lead to the establishment of industries, but that is a small proportion to the whole number of the States. Perhaps Baroda, Indore and Gwalior might benefit. The others will lose.

7096. *Q.* You will admit that it is a very wide question requiring examination from various points of view ?

A. I agree.

7097. *Q. Sir Maneckjee Dadabhoy*—How many years have you been in India as Professor ?

A. Just for 7 years.

7098. *Q.* And I presume during these 7 years you have made a close study of the economic problems of the country ?

A. It has been my business to study them.

7099. *Q.* And the opinion you have given in this note that Protection is essentially necessary for the growth of Indian industries and also for the political and economic prosperity of the country is one which you have arrived at after close deliberation.

A. I do not know if I said exactly " essential " for the growth of Indian industries. I said highly desirable. I concede Indian industries would grow even without Protection, but I think it is highly desirable that we should have definite scientific Protection in order that the industries may grow faster and we may have diversity of industries.

7100. *Q.* You have said, " The result of the free trade policy in India has been to destroy more or less completely many of the old handicraft industries rendering the occupations of the people more predominantly agricultural than they ever were before." So the free trade policy adopted in the past has not been conducive to the growth of handicraft industries ?

A. Certainly not.

7101. *Q.* And in your opinion a policy of scientific Protection, as you put it, would build up the national character ?

A. Yes.

7102. *Q.* And that is a point on which you lay very great stress ?

A. Yes.

7103. *Q.* You are also of opinion that a period of industrial reconstruction is now required ?

A. Yes.

7104. *Q.* I gather from that view of yours that the preceding period has been destructive of industrial growth.

A. Yes, on the whole, it has been certainly more destructive than constructive.

7105. *Q.* You are of opinion that by a policy of Protection the little loss there may be in the foreign trade would be amply compensated by the internal prosperity of the country ?

A. Yes, I think so.

7106. *Q.* And you, as an economist, would put the internal prosperity of the country in the vanguard of progress ? Would you sacrifice the foreign trade to a certain extent to make the people internally happy ?

A. Certainly.

7107. *Q.* Even at the risk of foreign trade ?

A. I would look to the welfare of the people of India as the first consideration, and the foreign trade must be subordinate to that.

7108. *Q.* However, I gather from your note that so far as your scheme of Protection is concerned, every industry should be individually examined ?

A. Certainly that is most important.

7109. *Q.* And that the proposed Protection should be given after a consideration of each industry on its own merits ?

A. Yes.

7110. *Q.* With or without bounty ?

A. May I refer you to the appendix in which I give a quotation from Professor Pigou ? I think the main burden of his paragraph is that, while some disturbances and departures would augment the national dividend, the majority of possible movements would not do this. I understand that to mean that if you choose your disturbances or departures from the existing state of equilibrium, you could adjust them so as to augment the national dividend, but if you put on an indiscriminate general tariff, the resultant balance might be more harmful than beneficial.

7111. *Q.* Then I gather from your note that you are of opinion that what is necessary in India is Protection for a necessarily long period, for 20 to 30 years ?

A. I think that is necessary because of the very backward state of technical skill in the industries, both in regard to technical skill connected with the management and designing of things in industries and also as regards labour; and I cannot conceive it possible that in a few years,—10 to 12 years—you could develop a population of skilled workers. In fact, 20 or 25 years I should regard as quite the minimum : it might take 30 to 50 years.

7112 *Q.* So long ?

A. Yes, for the industries to be absolutely and firmly established in India in such a way that they could hold their own against the industrial countries of the world.

7113. *Q.* Then, as an economist, what do you think would be the effect on the consumer of such a long system of Protection ?

A. The consumer, of course, suffers, especially in the initial stages, in the early years, of a protective duty.

7114. *Q.* But you don't think he will suffer in the later years ?

A. He will suffer less and less if the duties have been chosen, as I postulate, with reference to the conditions which will enable the industry to grow in India. It should grow within 10 or 12 years to a point at which it is beginning to meet the needs of the consumer at a fair and moderate price and in fairly good quality of goods. But the whole question resolves itself into whether you regard the interests of the consumer *qua* consumer as paramount, or whether you regard the nation from the point of view of being a body of producers and the advantage of people having a diversity of occupations to develop national life as paramount.

7115. *Q.* Then, I understand that in your opinion the development of national life and making the country a producing country is of greater importance than the consumer ?

A. I do not wish protective duties to be imposed upon the goods commonly consumed by the poorer classes in the country, but I think there is no hardship in the middle classes and well-to-do classes in having to pay a little more to consume their goods or to consume goods of a poorer quality in order that this advantage may accrue to the nation as producers.

7116. *Q.* Then, I understand that the essence of your reasoning is that the different units in the country should sacrifice to a certain extent for the general good and welfare of the country.

A. Yes.

7117. *Q.* You say what the people lose as consumers they will gradually gain as producers, and eventually the benefit will be much greater than otherwise ?

A. Always postulating that it is a scientific tariff.

7118 *Q.* I would like you to explain your scientific tariff.

A. My idea is that each industry should be investigated separately to ascertain whether the conditions exist in the country which will call forth the industry into being if a duty is imposed. Firstly, we should investigate whether capitalists would bring in capital, otherwise it would be premature to start ; secondly, whether there are natural resources, animal or vegetable, and whether they are available in sufficient quantities. Then, is there the chance of labour being obtained ? These would decide whether a duty should be imposed or not. And as to the amount of the duty, we might follow the German plan—I think Germany adopted it in 1878,—by actually calculating the duty on each article in proportion to the amount of labour, particularly skilled labour, that was ascertained to enter into the manufacture of that kidd of product.

7119. *Q.* Is that what you mean when you refer to human resources in your written evidence ?

A. Yes. It is a question of skilled labour, whether skilled labour is likely to be available or not.

7120. *Q.* With regard to your proposals about developing long staple cotton, do you suggest a duty on cotton or also on manufactured cloth ?

A. I have suggested two things here : a protective duty on cotton piecegoods and also a small bounty on the long staple cotton grown in the country.

7121. *Q.* What do you recommend on piecegoods ?

A. Something like 20 to 25 per cent.

7122. *Q.* Have you got any opinion to express on the countervailing excise duties on cotton? I have not seen it in your note.

A. I have said nothing about it. The policy regarding those duties is one which depends to my mind very largely on revenue considerations. If Government can afford to take it off from the revenue point of view, I should be very glad to see it go. I think it is a great handicap on the industry.

7123. *Q.* In paragraph 4 of your note in your remarks regarding the northern parts of India you say that there are few industrial centres.

A. I do not think that all the large towns in northern India are, as a rule, great industrial centres. Cawnpore, I suppose, is an exception. There has been some industrial growth here. But this is not the case with other towns in the United Provinces. Lucknow and Allahabad have been decaying industrially.

7124. *Q.* As regards your observations regarding Indian States and the Indian Customs Tariff, I should like to ask a few questions. Do you think that the real interests of the people of the Indian States and the people of India generally are not identical?

A. I certainly think that they are not identical, because they are under different Governments. The money which is collected in customs duties and is expended in British India in the maintenance of that Government and all kinds of facilities does not benefit the people of the Indian States.

7125. *Q.* You are aware that a corresponding customs duty is also levied by the Indian States on goods passing to and from their States?

A. Precisely. They levy customs duties perhaps of 3 to 5 per cent.

7126. *Q.* In some cases much higher. I can give illustrations.

A. But that is an added burden to them as regards goods arriving there from outside India. They pay the customs duty twice over. They pay 11 per cent. at Bombay and then some 3 to 5 per cent. on entering the India State territories.

7127. *Q.* You are of course aware of the fact that there is a great deal of commercial intercourse between the people in Indian States and people in British territories?

A. Quite so. I should like to see that increased.

7128. *Q.* And don't you think that if British India becomes commercially great by a system of well protected industries, the Indian States will indirectly be benefited by the growth of British India?

A. Yes. They must to some extent. But they will benefit very much less than if there was a system of free trade. It would be better if we could adopt a system of free trade within the whole of India. My idea is to have a customs union for the whole of India.

7129. *Q.* I should like you to develop that a little further.

A. A Customs Union for the whole of India in which the Indian States should be invited to join, and also States like Kashmir, Afghanistan and Nepal, if they so desire. An arrangement would be come to with each of these States that they would receive a certain share of the total customs revenue of the whole customs union, and it might be divided, I think, not on the population basis, but upon some other basis, such as the expenditure of the various States. This is the only method I can find which is a measure of the relative economic capacity of the different countries—expenditure upon public purposes. I should add this that if a share of the customs revenue is given in this manner to the Indian States, they must be urged to contribute their quota to the general defence of the whole of India. Military expenditure is very heavy, and obviously some share of that would have to be apportioned amongst the members of the customs union in the same way.

7130. *Q.* You are aware that the people of the Indian States are not so exclusive and so isolated as before. They have got more enlarged investments than before, and so I cannot really understand your difficulty. Why will not a policy of Protection benefit the people of Indian States too?

A. It will be of some benefit to them. I am not controverting that. My only point is that as the customs revenues will continue to increase (and I am assuming that they will go on increasing as they have been doing so rapidly during the last few years) the incidence per head of the population in the Indian States is heavier than they get any corresponding benefit for.

7131. *Mr. Mant—Q.* You have given us a very interesting scheme. I should like to ask whether the scientific tariff that you suggest is only a theoretical idea, or whether you think it is a practical working proposition.

A. I think it is quite a practical working proposition.

7132. *Q.* Can you give any instance of its having been adopted in other countries?

A. I think Germany is a good example of it.

7133. *Q.* How? The policy of Germany has varied a good deal.

A. It has varied of course.

7134. *Q.* Owing to the struggle between the producing and manufacturing interests their tariffs represent the pooling of conflicting interests.

A. I do not suppose that you could ever avoid the pooling of conflicting interests altogether. I do not believe you could. But the earlier you set to work with the scientific devising of the tariff the less would be the likelihood of the conflicting interests becoming successful.

7135. *Q.* Did not the German tariff arise really through financial necessities?

A. Very largely in the first instance; but in developing the tariff it was made scientific. I admit that the case is parallel with that of India now.

7136. *Q.* I am coming to that. If you have got to have high duties for revenue purposes, then you cannot have a *tabula rasa* to work on?

A. I entirely admit that the policy must be an opportunist one, namely, to obtain as much revenue as you can and at the same time give as much Protection as you can to those industries which will benefit most.

7137. *Q.* Do you think the necessity of obtaining high revenue through customs will make it easier or more difficult to manipulate your scientific tariff?

A. I do not know. I cannot give a definite answer to this question. It will certainly somewhat modify the character of the protective tariff.

7138. *Q.* It would not stop the scheme working?

A. No. By no means.

7139. *Q.* High duties for revenue purposes will tamper with your basis of scientific Protection?

A. You modify them in the direction required for scientific Protection.

7140. *Q.* Then I suppose the Finance Department will really be against Protection in so far as Protection reduces revenue purposes?

A. If you protect it too successfully. Of course that consideration has to be kept in view. But I think that is sufficiently accounted for by having the interests of the consumer in view. When I advocated Protection, I had not the idea of taxes of 50 and 75 per cent. being imposed. I think it is carrying Protection too far. Only in very rare instance would the taxes exceed 50 per cent. *ad valorem*. If an industry cannot flourish without so much Protection it is not worth while trying to stimulate it by Protection.

7141. *Q.* Also it will be a heavy burden to lay on the consumer?

A. Yes. By taking the interests of the consumer into account, you will to some extent at the same time safeguard the revenue.

7142. *Q.* You combine a moderate protective duty with a small bounty to producers of the long staple cotton. You know, under the financial constitution of the Government of India, these bounties would fall upon Provincial Governments.

A. I suppose it would according to present arrangements. But I see nothing to prevent the Government of India from giving these bounties.

7143. *Q.* If they regard these as bounties on agriculture, which is a provincial transferred subject, I think you will be up against considerable difficulties in trying to make it Imperial.

A. That is a question of administration. I have not considered it.

7144. *Q.* You state that British India is the largest unit of free trade in the world. You rather modify that when you speak of the necessity for developing internal communications?

A. The want of communications does not imply the absence of free trade in the sense in which it is generally understood. I mean no fiscal barrier.

7145. *Q.* There is practically Protection between different areas by the difficulties of transport.

A. The main trouble is the uncertainty of transport at present. It may take weeks and even months to get goods.

7146. *Q.* With regard to your scientific tariff, could you give some idea of the class of industries that you contemplate protecting? Would you protect the primary industries which provide raw materials for other industries, or do you contemplate the Protection of industries whose products are directly consumed?

A. It is more the latter class that I contemplate protecting, industries which work upon the raw materials and produce commodities either in the intermediate stages or as finished products for consumption.

7147. *Q.* Only the finished products?

A. No. Unfinished products too, but not the production of raw materials.

7148. *Q.* Do you intend to protect the chemical industries?

A. There might be some that I would protect, but it depends on whether there will be the necessary resources for manufacture and whether they are available cheaply.

7149. *Q.* Take an industry like the manufacture of sulphuric acid, which is the base of so many other industries. Do you consider that a suitable subject for Protection?

A. I am sorry to say that I cannot reply. I have not studied that industry.

7150. *Q.* If you have to protect the primary industries, you would have to extend the sphere of Protection so enormously that it takes Protection to all the dependent industries?

A. Generally speaking, I am against the protection of the primary industries, unless there is any very special reason for it.

7151. *Q.* As regards the question of Indian States, which has already been dealt with to some extent, I understand that your scheme would be that the Central Government should refund a certain proportion of the customs revenue. You said, I think, in proportion to the expenditure.

A. That is what I thought would be the most suitable plan.

7152. *Q.* Would it not lead to extravagance?

A. I think it is open to that possibility. I would say 'public expenditure, expenditure for approved public purposes.'

7153. *Q.* You say that we should take back a contribution from the States for Imperial defence?

A. Yes.

7154. *Q.* Don't you think that the two things roughly balance each other at the present moment?

A. At the present moment they do. But with the probable continued growth of the customs revenue, and as we may hope, perhaps some slight reduction of the military expenditure, they will no longer balance.

7155. *Q.* I would like to know how you would deal with protective duties in the case of Indian States. Would you provide for any representation of the Indian States affected in devising your protective tariff?

A. Obviously, if such a customs union as I have suggested were established, some machinery would have to be devised by which the Indian States should voice their opinions. Those should be considered on a par with those of British India.

7156. *Q.* Your customs union really necessitates a sort of federal constitution for India?

A. There would perhaps be a sort of Customs Board for the whole customs union, under which the consideration of the character of the duties to be imposed shall be carried out.

7157. *Q.* But with a Board however nicely devised, the final decision must go to the Legislative Assembly?

A. Yes. I would not propose to alter that.

7158. *Q.* You would not give the Indian States any representation on that?

A. No. Not for the next 20 years.

7159. *Mr. Rhodes—Q.* Turning to the Indian States, for which you seem to have a certain amount of solicitude, you would not, I take it, unless there was very great injustice to the Indian States, contemplate raising all these very dangerous political questions?

A. I do not know. I cannot subscribe to the idea that they are very dangerous.

7160. *Q.* Bringing them into the financial whirlpool of the Indian Assembly, for instance?

A. I am not proposing that. I think some Customs Board on which they had representation would be sufficient.

7161. *Q.* Do you think the injustice to Indian States would be so very great? For instance, if we put protective duties on to protect the Bombay cotton mills, those duties will be mainly paid by the other provinces which do not directly participate in the cotton industry?

A. By that you mean that residents of those provinces, the consumers in those provinces, pay, and that those provinces get no return? I agree there.

7162. *Q.* They are in the position of the Indian States. Indian States can, I suppose, start an industry if it is suitable?

A. Certainly, they can start if it is suitable. But the point is that being under a different Government they have not generally the facilities offered by the Government of India, the assistance of the Industries Departments and of the various services secured for the industries by the Government of India.

7163. *Q.* For instance, if we build up by protective tariffs the iron industry, it will primarily benefit the Indian States, because the ore fields are in the feudatory States?

A. That is rather a complicated problem, because many of them have sold their rights already, I believe, at a pretty low rate of royalty.

7164. *Q.* The more iron comes out of the State, the more prosperous the industry. It brings in enormous sums of money?

A. Of course if new iron deposits are found, that would apply. For the present, they have sold their rights already.

7165. *Q.* You suggest a 25 per cent. duty on cotton goods, with a bounty to the producers of the long staple cotton. I take it there are two ways of developing the cotton industry. One is that as the cotton industry grows, competition will force some enterprising manufacturers on to making finer and finer goods. This is the process of evolution. The other process will be by burdening the consumer who exists in another place besides the Bombay Presidency with a very heavy 25 per cent. duty. This is a process of revolution. Would you prefer revolution or evolution?

A. I think evolution will be very slow, though I admit entirely that it does take place. But it is so slow that I should like to see a certain amount of revolution.

7166. *Q.* Do you think in this particular industry it will be slow?

A. We have not got to such a position where we can compete in the higher counts with Lancashire.

7167. *Q.* If you think of putting up a new mill now, in view of the prosperity of the trade, you will naturally put up one of the coarser qualities first, and it will be a long time before the finer qualities are produced, because we have got less demand for the finer than we have for the coarser qualities?

A. But it is purely temporary. A great number of new mills are being built at the present time, and so long as there is a large profit in producing piecegoods of lower counts, these new mills would be attracted. When the margin of profit is brought down, it will not attract any more mills.

7168. *Q.* The question arises whether some of the older mills especially well equipped for management and machinery won't be likely to turn their works to the production of the finer counts.

A. Most of them of course would find the machinery not adapted to producing the finer counts.

7169. *Q.* I mean further developments.

A. If they are erecting new mills or replacing old machinery, they might conceivably do so.

7170. *Q.* Extending their mills?

A. I do not think the movement will be in that direction, except in the case of a few great firms like Tatas who might be sufficiently enterprising to do that. But the ordinary mill owner will not, I think.

7171. *Q.* With regard to your scientific tariff, in accordance with the law of increasing returns, your duty naturally will slowly decline?

A. Yes. Strictly speaking, it ought to slowly decline. I agree with you there.

7172. *Q.* But, in practice, as the industry grows in power, it is more likely to obtain by political means a degree of Protection to which it would not be entitled by economic considerations.

A. I agree with you. There is some risk of that.

7173. *Q.* How would you propose to meet that?

A. It can only be met by the education of public opinion, on these questions. Public opinion is becoming educated in the United States in regard to these matters, I think, slowly.

7174. *Q.* Has not their experience been somewhat unfortunate?

A. It has, I agree. But at the same time, I do not think that this disadvantage outweighs the advantages which have accrued to the United States and many other countries from a protective policy.

7175. *Q.* You have named a somewhat high percentage of maximum duty, 50 per cent. The duties you suggest are higher than we have been accustomed to in India. Don't you think that before you get up as high as 50 per cent, it would be better to render help either, by giving a big contract for a period of years or by a subsidy rather than by dislocating the whole economic state of the country by a very high duty which might reflect on other industries?

A. In some industries that would be all right. But I say you must take every kind of industry separately. Suppose an industry is one merely weaving the finer classes of silk goods such as we import from Japan. There is no question of Government giving a contract, and to give a bounty in such cases would be extremely difficult, because it consists of small producers scattered all over the country.

7176. *Q.* Take the case of railway wagon building. Would it be better for Government to give a contract for 5 years at a fair price rather than put on a heavy import duty?

A. I think it would probably be better in that particular case.

7177. *Q.* You would not favour the reckless imposition of high duties?

A. No. I am strongly against that.

7178. *Q.* Now we come to a very practical point about cotton goods. It is very necessary for the Central Government to get larger and larger amounts of money out of taxation and it finds it necessary to tax the poorer classes to some extent. Supposing it is necessary to tax the most important articles they consume, *i.e.*, clothing—food you cannot tax—would you advocate an increase in the present rate of duties?

A. Certainly I would.

7179. *Q.* It has been shown that a third of our clothing is imported, a third is manufactured by the Bombay mills and a third by the handlooms. For every rupee you raise by import duty the consumer pays three rupees. The Government gets only one rupee, but the consumer pays three rupees.

A. I do not think that is so, for the simple reason that most of the cloths imported are of a different class to what is produced in India.

7180. *Q.* It has been our experience that the price of the handloom products and the Bombay mills' products moves up with the price of the imported goods. Therefore the consumer pays three rupees for every rupee that the Government raise by the import duty.

A. You must remember that as regards the internal production, that is very largely a temporary phenomenon. As the price goes up through Protection, more capital flows into the industry, and unless the industry is of such a restricted kind that a combination between the manufacturers is possible, you will find that competition will bring the prices down within the customs barrier.

7181. *Q.* That is eventually, but would you not now charge the consumer Rs. 3 for every rupee you collect?

A. No. I would not agree to those figures. A certain proportion of the tax may be transferred to the consumer It is a very complicated question as to how much is transferred.

7182. *Q.* The real question is this: when you have got an industry which does not need Protection, and you require money and you decide to tax it, is a consumption tax necessarily wrong?

A. I do not say that a consumption tax is necessarily wrong. I think in many cases it is a very good thing. But if you are speaking of the cotton excise duty, my main objection to this is that the yield is small compared to the harrassment to the industry which is created, and the actual collection of the tax means that every mill has got to be under the supervision and inspection of Government; they have constantly to be making returns of output and they cannot take any goods out of the mill compound without Government certificates and so forth.

7183. *Q.* But the revenue is nearly three crores of rupees. Supposing we want more revenue and we have to impose an import duty, is it not to the interest of the consumer that a tax should be put both on your imports and on the home produce? You have the machinery for collecting your excise at present.

A. Personally, I should prefer to see the money obtained by the import duties. I think you would obtain a similar amount by judiciously applied import duties. I am arguing in favour of the abolition of excise duty altogether in course of time, say within 4 or 5 or 10 years. I do not regard excise duties on the cotton manufactures as being sound industrially or financially.

7184 *Q.* Do you regard a consumption tax as economically sound?

A. Yes, but I would not impose it on one manufacturing industry rather than on another.

7185. *Q.* What other industry would you suggest if you want to collect from the whole body of the people?

A. Of course cotton is the best industry existing, but I would not like it as a permanent feature in the fiscal system of the country, because it is a harrassment to the industry itself. It is a matter of balancing of advantages and it involves many things. I would not advocate its abolition immediately, because we still want money and the mills would simply make profits.

7186. *Q.* In other words, if we put up our import duties, we will have to put an excise duty if we are to get the maximum amount of the burden laid on the poorer classes into the Government coffers?

A. That is only a temporary feature. If you put up the import duties on cotton piecegoods, you will mainly be hitting, not the poorer classes, but the middle classes, the fairly well-to-do people, who earn Rs. 50 per mensem and upwards, who are able to buy the imported cotton goods.

7187. *Q.* That is eventually. The prices for Indian mill produce have gone up in proportion to the English prices.

A. That is largely due to the shortage of producing plants in India. When the producing plants in India increase in number, as they must within 4 or 5 years, then there will be a larger margin of difference between the price of imported goods and the indigenous goods.*

7188. *Q.* The question was raised by Mr. Mant: what kind of industries would you protect in the extraordinarily backward state of industrial labour in this country, as regards skill and application and that sort of thing. Don't you think it would be better to protect first the simpler industries?

A. I do not altogether agree with you as to the backward state of the country as regards skill amongst men living in cities. After having survived from the handicraft stage, they only need a certain amount of training. They can do skilled work perfectly well.

7189. *Q.* But would not that skill be secured more easily in the more simple forms of industrial enterprise?

A. Would you call sugar refining a simple industry?

7190. *Q.* Say the metal industry—making tanks and buckets and that sort of more simple things.

A. Yes, I agree it is. It would be learned in shorter time. That is one of the considerations to be taken into account in selecting your industries for the imposition of duties. As I have said, you will have to see

* Subsequent note of explanation by the witness: "The idea underlying this statement is that the Indian mill industry will expand until it supplies nearly the whole demand for the coarser and cheaper cloths, and competition would lower the price to the cost of production; but that the imported cloths will be mainly the finer qualities having a higher average price. So far as Indian mills will produce fine cloth, they will certainly gain some profits at the expense of higher cost to the people and loss of revenue to the State, if there is no countervailing excise duty."

whether labour is available, and if it will be possible to train it within a reasonable time. Making of machinery is one of the most advanced industries.

7191. *Q.* If you have a more or less general tariff on everything, as we have at present a standard 11 per cent., it protects your elementary industries, then it protects the next industry less, because the next industry uses something which has already got some duty, and the finer machines it protects least of all. Is it not desirable for our industrial development that we should get our finer machinery practically free and that we should build up our industries from the bottom ?

A. No. I cannot speak of that which I regard as desirable as "building up from the bottom" because you will have to protect more particularly those industries for which you find the principal raw materials in this country. That is my idea. Then I would not protect indiscriminately all kinds of manufactures. There are many kinds of steel goods which we cannot make now and nobody is proposing to make in this country. I would say 'Let some firm come forward and guarantee to make a reasonable output, and then that particular kind of steel goods might be protected.'

7192. *Q.* What I suggest is that the present tariff is a little more scientific than we intended ?

A. I am afraid I would not agree there.

7193. *Q.* The point of view I want to put to you is this. Take the iron industry. You protect it by 10 per cent. in the way of protecting rails and steel plates. The buyer of those plates for making tanks, as opposed to the man importing tanks only, gets a Protection of 5 per cent. and the machinery maker gets less and we are building up more elementary industries at present and importing, at comparatively low rates, the finer machinery made from these elementary industries. So we have been a little bit scientific, more or less accidentally.

A. It may happen to be beneficial in the case of certain industries, especially the steel industry. I see your point, but look at the great number of other industries in which that principle would not apply.

7194. *Q.* One advantage, I take it, of the present tariff is that you stop all the lobbying and political wire-pulling that may result from Protection and at the same time give a measure of Protection to all industries which can really take advantage of that Protection ?

A. I agree that the general tariff to some extent stops lobbying. Of course all interests may combine to increase the general tariff of 11 per cent. The 11 per cent. does enable industries that can be built up under the 11 per cent. tariff to be built up. But it proves an unnecessary burden on the consumers in regard to a great number of industries that cannot be built up.

7195. *Mr. Coyajee—Q.* The form of tariff contemplated by you would be a fair number of protective duties and on the rest of the articles revenue duties ?

A. Yes, that is right. On a fair number of articles protective duties and on the remainder there would be revenue duties.

7196. *Q.* Then, for bargaining purposes for which the tariff might be used, would you have a special maximum tariff for those countries which show us fewer concessions, or would you vary some of those duties and increase them against them ?

A. The latter would be what I would suggest, *i.e.*, individual duties may be varied.

7197. *Q.* Please refer to No. 4 in your paragraph 3, "The commodity produced is not a necessity of the poorer classes, *e.g.*, coarse cotton cloth, kerosine oil, matches." On articles like matches you would have no duties ?

A. I would prefer to have no duties on matches.

7198. *Q.* In reply to Mr. Mant you said that generally you would not give Protection to primary industries. Will you kindly elaborate that matter ? What do you regard as primary industries ?

A. I would regard as primary industries mining, extracting the metals, smelting them, all the initial stages.

7199. *Q.* Would the production of elementary chemical acids for producing other things be included in your primary industries ?

A. I do not know if it would.

7200. *Q.* But metallurgical industries would be ?

A. In the initial stages they would be primary industries.

7201. *Q.* From this view of yours I take it that you would give no Protection to wrought iron and steel ?

A. I would not necessarily give Protection. Each case must be examined separately. I would not be in favour of any high protective duties for the simple reason that the more advanced stages of the industry will be liable to be crippled by the possible inefficiency of the primary stages.

7202. *Q.* Then coming to paragraph 4, you would not give any Protection to the cotton piecegoods of the ordinary counts, say up to 40s.

A. I do not wish to fix any exact limit, but somewhere about that. I would have a limit below which the duty would be merely for revenue purposes and above that of a protective character.

7203. *Q.* Suppose a duty x is required for protectionist purposes, but actually the duty put on is x+y, would you have an objection to an excise duty of y being levied on the home produce ?

A. My objection to the excise is mainly on account of the harrassment to the industry occasioned by it. Also to some extent my objection to the excise is that I think the burden is better placed upon foreign goods and industries.

7204. *Q.* Would you have for your basis the maximum productivity of revenue ?

A. That introduces a new condition. But I do not suppose that a 25 per cent. protective duty would give you a maximum revenue. I should say that is well within the limits of maximum productivity.

7205. *Q.* You advocate a gradual elaboration of a scientific tariff. Might I ask the exact interpretation of the phrase ?

A. Each year when the Finance Member is working out his budget, if new protective duties have been investigated and strongly recommended, they should certainly be put on. If, on the other hand, duties are recommended for abolition, he should take them away.

7206. *Q.* Now, as to the agency mentioned, would you not advocate something like the Tariff Commission on the American lines,—tariff experts meeting together,— because it will be an intensive study of fluctuating tariffs abroad, fluctuating costs both here and abroad, the influence of tariffs on the standard of living, etc. Would it not take up the time of a permanent body ?

A. Yes.

7207. *Q.* And then, of course, you would require it further to publish its views ?

A. That, I think, is most important.

7208. *Q.* That is, a Commission is required for investigating all cases and publishing the results ?

A. Yes.

7209. *Q.* A suggestion has been made before us that a joint committee of the Legislative Assembly and the Council of State might undertake the task. What is your view ?

A. I should be rather against that. I think it should be some permanent establishment with a number of experts.

7210. *Q.* To prevent political influence being brought to bear upon them ?

A. Yes.

7211. *Q.* Then you say, "The consequent development of internal trade would compensate for the loss of foreign trade." You mean to say that the total volume of imports and exports would be smaller after Protection comes in than now ?

A. They would tend to become smaller, but the general growth of the welfare of the country would be more rapid.

7212. *Q.* That is a long period phenomenon.

A. If Protection is introduced gradually, as I have suggested, it may be that the general expansion of the country's well-being will be secured without any actual reduction of foreign trade.

7213. *Q.* But if the tariff is brought in at once, the effect might be the opposite ?

A. Yes.

7214. *Q.* It has been asserted before this Commission that the effect of Protection would be to reduce the probability of a favourable balance of trade, because if the export trade is smaller, a single cause affecting a few of the items of our export trade would easily reduce the total volume of our exports, and thereby the pro-

bability of an unfavourable balance would be greater than it is nowadays. Does this argument meet with your approbation ?

A. The effect of imposing higher import duties will necessarily be to increase the favourable balance of trade by reducing imports. As a result, money will flow into the country. That will tend to create a higher price level in India and through the operation of that higher price level, you will get your exports cut down and you will establish your balance of trade again.

7215. *Q.* But it was argued that when we start, the imports will be more likely to rise because as soon as Protection comes in we will have a great inflow of capital, machinery, skill and services.

A. I take it that very largely the capital that will flow into India will come in the shape of goods. The goods will practically come on credit. Therefore, it will not practically affect the exchange. It would affect exchange only in so far as the Indian capital invested in these new industries imports machinery on a very much larger scale.

7216. *Q.* Therefore, it would have a sort of resultant balance.

A. It is impossible to forecast what the balance of probability is.

7217. *Q.* On the other hand, the higher level of prices of which you spoke might adversely affect the balance. The higher level of prices in protectionist countries might mean fewer exports.

A. That I take to be the mechanism whereby exports become reduced in proportion as the imports are reduced.

7218. *Q.* Then to take another point of view. At present India, as a raw material exporting country, is in a peculiarly favourable position in the matter of international exchange. That advantage might be lost a little bit as Protection succeeds in keeping the raw materials within the country more and more.

A. Of course that is a loss in proportion as Protection succeeds. My view is that the object is a desirable one for the establishment of industries in India.

7219. *Q.* You have had something to do with the manufacture of brushes ?

A. Yes, as a director of the Allahabad Brush Company, Limited.

7220. *Q.* Could you give us your experience in that direction, whether that industry requires Protection ?

A. I think it would probably be an advantage if we had Protection. But it has a certain amount of Protection already. Brush manufacture would serve as an example of an industry which uses to a large extent the raw materials produced in India and which would undoubtedly grow considerably and possibly ultimately export the manufactured goods to other countries, if Protection were given.

7221. *Sir Montagu Webb*—*Q.* In your paragraph No. 3 (4) you include cloth, kerosine oil and matches. You exclude them from the operation of your scientific tariff. Is your reason for excluding them because they are consumed largely by the poorer classes ?

A. Yes, that is my reason.

7222. *Q.* Do you think that the poorer classes should contribute anything towards the scheme of taxation ?

A. There I was writing of Protection and not duties for revenue. What you speak of would be a revenue duty and not a protective duty. I would not consider it justifiable to try to establish the match-making industry in India by putting on a very heavy Protective duty.

7223. *Q.* In paragraph 3 you refer to the political danger of Protection, the possibility of political corruption, as being the only possible objection to the policy. Do you consider that the danger would be a serious one in this country if we had a regular policy of Protection ?

A. It is not likely to be a serious one in the near future.

7224. *Q.* This possibility you are prepared to face ?

A. Yes.

7225. *Q.* Under the heading, "General economic and geographical conditions" you refer to a healthy national growth. Could you tell us a little more fully what you consider to be a healthy national growth in regard to industrial development ? You say that the result of the present policy has been to destroy more or less the handicraft industries.

A. When an industry exists, it provides a particular occupation to persons who are fitted for that kind of work, who have got the particular kind of skill required and who have got that particular kind of temperament. In any society there are persons of various temperaments, of various kinds of natural and inherited capacity. If you have only one or two kinds of industries prevailing in the country, many of those who might have developed far better in some kind of manufacturing industry are forced into the prevailing industries, chiefly agriculture. It has happened, of course, during the past few decades in India that many people who were highly skilled in weaving and other technical handicrafts were forced to take to agriculture as the only means of obtaining a livelihood, in which they were not very successful, but which they selected as the only means of earning a livelihood.

7226. *Q.* With the object of employing diverse talents ? That is what you have in mind when you say that ?

A. To provide for the growth of an immense population, to provide all opportunities of growth of diversity of talents, because you have to remember that the economic law of survival of the fittest acts very considerably. In a country where there is only one occupation the tendency is for those people to survive who are fitted for that particular occupation. If you have a multitude of different occupations, all the members have equal chances of surviving, and that, I think, is to the benefit of the community as a whole.

7227. *Q.* You say that handicraft industries were more or less destroyed by the past fiscal policy. I was rather under the impression myself that the handicraft industries in this country, as in most other countries, have collapsed in the face of competition from machines and power contrivances generally. You have made no qualification of your statement.

A. I think perhaps my statement is too sweeping. I should have given it some qualification.

7228. *Q.* Why I ask you is that you are giving your great authority to the statement that it is the fiscal policy that has accounted for the disappearance of the handicrafts. But it appears to me that it is in a large measure due to the general progress of mechanical appliances.

A. I think it is the fiscal policy that had something to do with it, particularly in the finer class handicrafts manufactures. But you are perfectly right, of course, that the introduction of machinery in India has had a good deal to do with it. I should like to make that qualification certainly.

7229. *Q.* A few lines further on you say that the towns of northern India have been for decades in a state of industrial decay. How far, do you think, that it is the result of the inability of the people to adapt themselves to modern conditions ? A mysterious process of decay is going on in the towns of northern India. Is it because of the lack of suitable education of their talents ?

A. I have not attempted to analyse it. It is a very big question as to what are the causes of decay.

7230. *Q.* I was reading the whole of this paragraph, and the impression is in my mind (probably others also have got that impression) that the deplorable result has arisen from our fiscal policy, and whether you exactly desire to convey this impression I am not quite sure ?

A. I do not mean to convey that impression. Rather the intention of this paragraph was to explain the condition of the industrial decay which has set in in the towns of northern India and to point out that the industrial life can be resurrected most easily by a scientific protective tariff.

7231. *Q.* That is a very important problem that I am coming to : whether a scientific tariff is the best way to effect this recovery, or whether another and a better way be not through a better and a more suitable type of education, scientific and technical.

A. I agree with you entirely. I am assuming that we do require to improve the type of technical education and that we do get considerable assistance from the Industries Departments of Government and that all other measures are taken for the stimulation of industries. If you do not give assistance on other lines besides a protective tariff, you place a burden on the consumer and the corresponding ultimate advantage to India is not reaped. That is my idea.

7232. *Q.* This is really a very important dividing line between those who think that a protective tariff can effect marvels on the one hand, and on the other hand those who think that no amount of education is any good unless there is a protective tariff as well. You assume that there are going to be proper educational facilities and training and with that preliminary development can go on ?

A. That is an accepted policy already.

7233. *Q.* Development would be stimulated by the aid of a protective tariff ?

A. Yes.

7234. *Sir Edgar Holberton.* *Q.* You have been studying economics, I suppose, for a number of years ?

A. For about 19 years.

7235. *Q.* It is only during the last two years that your attention has been particularly turned towards India ?

A. For about 7 or 8 years.

7236. *Q.* The result of your study of the position in India during the last 6 or 7 years has brought you to the opinion that an intense industrialisation of India is required. That is really the background of your desire for a protective tariff ?

A. I came to that conclusion gradually only within the last two or three years. At first I had the idea that India might remain an agricultural country—perhaps the idea was only a pre-conceived notion, but the more I came to investigate generally the sociological causes, the long economic causes, the more did I think there was the need of India becoming industrialised.

7237. *Q.* If you are going to industrialise India intensely, would you be inclined to spread this process all over the country, or would you confine the various industries to the places which are obviously more adapted to them by nature ?

A. I think, obviously, the latter. This is a matter which will come about automatically. I think they will be established at places which are more suitable for them. We need not exercise any control in that way.

7238. *Q.* We have had certain witnesses who have been studying the question and who have given me the impression (I speak personally), that they would desire to force the industrialisation of a province although by its own custom, condition and other things it is almost purely agricultural and its natural conditions appear to tend towards agriculture.

A. I would reply that there would probably be hardly any province without facilities for the development of some kind of industry or for which there is not some raw material to be found somewhere in the neighbourhood.

7239. *Q.* Do you think that it would be better to develop those raw materials on the spot ?

A. The tendency for the industry is to make use of any existing labour supply generally. Wherever you have got large towns, there is a potential labour supply, and therefore the promoter of any industry or a man looking for an industry to promote will consider what resources are available in the neighbourhood of the town.

7240. *Q.* Do you think the industry makes the town or the town the industry ?

A. I think it is both action and reaction. There are many cases in which an industry goes to a town just because labour happens to be there, and an industry having been once started the industry leads to the town itself increasing.

7241. *Q.* Having decided that we want to put India on a better industrial basis you consider that Protection is the only way towards it ?

A. No. I do not say that.

7242. *Q.* It is a convenient avenue to it ?

A. Yes.

7243. *Q.* Is this measure of protective tariff one which is justified by your study of the history of other countries ?

A. I do not think that it has been perfectly applied by any country. But I think the advantages that have been reaped by Protection in many countries are sufficient to justify its being advocated for adoption in India.

7244. *Q.* Could you specify a country or two ?

A. I think the United States have undoubtedly benefited by Protection and Germany and a number of other countries.

7245. *Q.* If you take the case of Germany, you must pardon me if I am wrong, I have always thought that Protection was forced upon Germany at a time when Bismarck was Premier, when he did not know how to finance the very heavy army expenditure that was being incurred in Prussia, and practically the only tax which he could put on the States was this sort of duty.

A. I think that was the beginning of it. Then gradually the economists and statesmen came to see the advantages of developing tariffs for the encouragement of industries—a process of evolution of thought that came out of the tariff.

7246. *Q.* It came by accident ?

A. Yes.

7247. *Q.* Is it not your experience that once you start Protection, it is difficult to take it off ?

A. It is difficult, of course. I do not know of any country that has done so. That is a crucial question in America just now. But my answer is that India is such a large country that as long as you have free trade within an area inhabited by 250 millions of people (if you include the Indian States nearly 350 millions), you may safely leave things to the future, to some future generation essentially interested in the question whether you should abolish altogether the customs barriers around India.

7248. *Q.* At the present moment you have got this country which has stuck to revenue taxation up-to-date, and it seems to me that the country is prosperous, that industries are gradually growing up, that various industries have grown up and attained a strong position. Don't you think that it is not advisable suddenly to dash in with a protective policy, distinctly protectionist, in this country ?

A. The statement that this country is prosperous is misleading. It is only prosperous relatively to what it has been in the past.

7249. *Q.* I will say increasingly prosperous ?

A. I would not express it that way. I am afraid that the industrial development that has taken place during the last two or three years will disappear without a regular policy of Protection. It does seem to me that you have to work for the gradual enlargement of industrial activity in India. There is at present a rather one-sided development of certain staple industries which have been started, and this happens to be the case in particular parts. There are other industries that could be successfully established in India during a period of direct assistance by the State and a protective duty in addition. That is my standpoint.

7250. *Q.* But we have been told that once you put on a duty, you can never take it off ?

A. I know the difficulty. That is so. I have taken that into consideration, and on the whole, my personal opinion is that the balance of advantage is in favour of Protection.

7251. *Sir Montagu Webb.*—*Q.* I should like to ask you a general question: whether you have considered the possibility that the stimulation of industrial activity in this country is likely to be attended by any increased risk of famine, the idea being that you may run short of food stuffs in this country by a larger proportion of the population being engaged in industries. The danger will be more difficult to meet in the case of a population of a country like this, which is so large that it is very difficult to rely upon other nations to supply food for it in times of disaster. We can give food to others but others cannot give food to us. Have you considered whether the stimulation of industrial activity in this country is likely to increase the risk of the danger of the shortage of food stuffs in times of famine ?

A. I have not considered that point. At first sight I do not see that any great danger is likely to arise, because the growth of industries will be slow, and the growth in the town population will be comparatively slow, and the additional demand of the growing population calls forth men to bring forward the supply to meet it.

7252. *Q.* You do not think that it would be likely to draw men away from agricultural employments ?

A. To some extent it must do. But I think that will be one cause which will tend to bring about an agricultural revolution, which is very much needed in this country, by the use of labour-saving appliances to be utilised in agriculture. As regards any danger during famines, I should say that it is extremely small, and it should be met and will be met by better organisation of the grain trade. The import of grain from abroad may take place more freely if there is any necessity.

7253. *Q.* The position is developing in the same way in other countries, tending to reduce the margin of food-stuffs available for export.

A. Yes. That is so.

7254. *President.*—*Q.* You state that State assistance should be given in directions other than the introduction of a protective tariff, such as technical education and various other forms of assistance. Would you wait for your tariff till this skilled labour has been actually made available ? Or would you start the encouragement of industries in both these directions practically simultaneously ?

A. Certainly, I would start them simultaneously.

CALCUTTA: PRINTED BY SUPDT. GOVT. PRINTING, INDIA, 8, HASTINGS STREET.

Digitized with financial assistance from

Government of Maharashtra

on 01 February, 2020